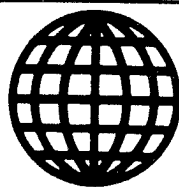


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No 24, 16 December 1987

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30 MARCH 1988

[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; boldface passages as published]

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As Long as We Seek Truth From Facts and Work for the Interests of the People, We Shall Be Ever-Victorious

HK140843 Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 2-4

[Commentator's article]

[Text] Vast numbers of cadres and ordinary people are assiduously studying the report delivered by Comrade Zhao Ziyang at the 13th Party National Congress. In study, they were of the same opinion that the theory on the initial stage of socialism, the party's basic line and a number of basic policies expounded in the report fully reflect our party's fundamental aim of working for the interests of the Chinese people with one mind and one heart, and its basic idea of seeking truth from facts and proceeding in everything from actual conditions.

So far as the communists are concerned, both working for the interests of the people and seeking truth from facts cannot be dispensed with. Working for the interests of the Chinese people is the fundamental aim of our party. Proceeding in everything from the interests of the people or proceeding from the personal interests and the interests of a small group is an indicator of distinguishing the Communist Party from the parties of the exploiting classes. Our party earns the support from the masses of the people just because it maintains flesh-and-blood ties with them, simply because it represents their interests, and solely because it can lead them to strive for their own interests. We adhered to this principle in the past so that we won victory. Now that our party is in power and under the condition of opening up to the outside world, it is, therefore, all the more necessary for it to stick to the principle. This is because such a situation is apt to engender bureaucratism, the unhealthy tendency of abusing power for personal gains, and corruption in our party. On no account should we see such malpractices unchecked. We must take the problem as a matter of prime importance and make efforts to solve it, and maintain higher standards and improve the quality of party members. Whether we can persist in working for the interests of the people is a stern test for every Communist Party member, and especially for leading cadres of our party. We will accomplish nothing if we give up the principle of working for the interests of the people. However, simply this principle is not enough. We must add it to another principle—seeking truth from facts and proceeding in everything from actual conditions. Even if we can work for the interests of the people and do not pursue personal profits, but we do not have a correct ideological line and feasible methods we still cannot work for the interests of the people and we may bring disasters to the people. We have had not a few of such lessons.

In the past decades we engaged in revolution and construction in the interests of the people. We achieved great successes and also met with many detours, including expensive setbacks and failures. All those setbacks resulted, in the final analysis, from the deviation of our line, principles and policies from the actual situation in China. In the period of democratic revolution, "left" errors had caused heavy losses to the revolutionary cause more than once just because we failed to understand well the nature of society, class relations and the then revolutionary situation in China and we followed a line and tactics which did not tally with the actual situation in China. In the period of socialist construction, we made detours for 20 years also because our line, principles and policies were divorced from the actual conditions in our country. After the socialist transformation of the private ownership of the means of production was largely completed in 1956, the socialist system was basically established in our country but the productive forces were still at a very low level, the natural economy and seminatural economy constituted a considerable proportion of the whole, and the commodity economy was only beginning to develop. When building socialism under such circumstances, we were not in the situation envisaged by the founders of Marxism, in which socialism is built on the basis of highly developed capitalism, nor were we in exactly the same situation as other socialist countries. However, we were not clearly aware of the point for a considerable length of time. We rigidly adhered to some principles envisaged by the founders of Marxism and indiscriminately copied the patterns of the Soviet Union. As a consequence, a petrified economic structure hampering the development of productive forces took shape and we stuck to "left" errors over the years and approached many problems against objective reality. Proceeding from the actual situation in China we should have placed the growth of the productive forces before everything else, but for a long time we took class struggle as the key link and relegated the task of expanding the productive forces to a position of secondary importance. Proceeding from the actual conditions in China, we should have vigorously developed the commodity economy and given full play to the role of market mechanism, but for a long time we ignored the commodity economy, the law of value and the role of market mechanism and many things which, under socialist conditions, were favorable to the growth of the productive forces and to the commercialization, socialization and modernization of production were dubbed "restoration of capitalism" to be opposed. Proceeding from China's situation in which the productive forces were at a low level and economic development was very uneven, we should have developed varied economic sectors with public ownership playing the dominant role, but we blindly sought absolute perfection, believing that the broader the scale and the higher the level of socialist ownership, the better. Proceeding from the actual conditions in China, we should have taken socialist construction as a long-term hard struggle, but we thought it too simple, hurried for a premature transition to communism, and time and again repeated the mistake of being too impatient for quick

results. Consequently, haste made waste. In the last analysis, all these errors resulted from our failure to proceed from the actual conditions in China which is still in the initial stage of socialism. Although we had a subjective desire to step up socialist construction, things did not turn out the way we wished. In consequence, there had been no improvement at all in the people's living standards for 20 years.

Why could the line, principles and policies followed since the 3d Plenary Session of the 11th CPC Central Committee induce tremendous changes in China in merely 9 years and bring about unprecedented benefits to the Chinese people? This is only because the line conforms to the actual conditions in China. At the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping was known for his remarks on three things: Emancipate the mind, seek truth from facts, and unite as one in looking to the future. Prior to this, he also advocated an extensive discussion on the principle that practice is the only yardstick of truth in a bid to guide our party to return to the ideological line of seeking truth from facts. Thus our revolutionary cause started taking a turn for the better. The principle of seeking truth from facts is the essence of Mao Zedong Thought. Without the principle there would be no Mao Zedong Thought and there would be no victory for the Chinese revolution. After the founding of the People's Republic, we plunged into "left" mistakes for a long time precisely because we deviated from the ideological line of seeking truth from facts. Concrete plans for reform of the economic structure in the urban and rural areas were not advanced at the 3d Plenary Session of the 11th CPC Central Committee, but the reform was introduced after our party returned to the ideological line of seeking truth from facts. Meanwhile, the institution of the household-based system of contracted responsibility for production with remuneration linked to output in the rural areas and the delegation of more decisionmaking power to enterprises in the urban areas were not initiated by a certain leader but were created by the grass-roots units and the masses. Thanks to the ideological line of seeking truth from facts reinstated at the 3d Plenary Session of the 11th CPC Central Committee, we were able not to negate things newly emerging in reforms in an oversimplified way as we did before, but we sought truth from facts, respected what had been created by the people, and judged everything from its social effect, that is to say, we saw whether it was conducive to the growth of the productive forces and whether it conformed to the will and interests of the people. The facts in the past 9 years tell us that most reform measures which were suited to China's situation and were conducive to the growth of the productive forces could be adopted and developed vigorously just because we followed the ideological line of seeking truth from facts. Aside from the household-based system of contracted responsibility for rural production with remuneration linked to output and the delegation of more decisionmaking power to enterprises,

we also introduced some systems relating to the development of the planned commodity economy, the implementation of the opening up policy, the absorption of foreign investment funds, and the establishment of Chinese-foreign enterprises. Meanwhile, some other things such as markets for the means of production, labor services, technology and funds, as well as the separation of ownership from managerial authority in enterprises were all introduced by pursuing the ideological line of seeking truth from facts. It can be said that if there had been no ideological line of emancipating the mind and seeking truth from facts which was reiterated at the 3d Plenary Session of the 11th CPC Central Committee and if there had been no extensive debate on the subject of taking practice as the sole criterion of truth that was conducted before and after the 3d Plenary Session, then no attention would have been given to the above-mentioned measures concerning the rural and urban reforms, and these measures would not have been discovered and even developed, and of course, there would have been no such achievements made and no such excellent situation as it is today in reform, the opening up and socialist modernization.

Since the 3d Plenary Session of the 11th CPC Central Committee, under the guidance of the ideological line of seeking truth from facts, we have experienced a process of practice and theory promoting and transforming with each other. Such a process conforms to the Marxist theory of knowledge. In the light of successes and failures that China had made in the past decades, first the 3d Plenary Session of the 11th CPC Central Committee, proceeding from reality, initiated the ideological line of emancipating the mind and seeking truth from facts, then the masses created many new things in practice, and our party summed up and spread what the masses had created, and also we made continuous efforts to improve our concepts and theory. This is a process of verifying theory through practice, practicing again, and verifying theory again through practice. We also experienced such a process when we approached the theory on the initial stage of socialism. When we started implementing the reform and opening up policies, we did not link them to the theory on the initial stage of socialism. However, through practice we achieved good results more than we expected from these policies. This called for our deep thought. During the period, some people abroad said that China was practicing capitalism. At home, the great majority of people praised the results of reform while some people had something to worry about but they could not back their worry by theory. The 13th Party National Congress summed up historical experience, and in particular the experience in the 9 years since the 3d Plenary Session of the 11th CPC Central Committee. By fully expounding the theory on the initial stage of socialism, the congress also elaborately explained why we adhere only to the current line, principles and policies and cannot apply other lines, principles and policies, why we must carry out reforms and open up to the outside world, and other problems of great importance such as the nature of our reform. The theory on the

initial stage of socialism can be attributed to our efforts to sum up experience in a realistic way and reconsider China's specific conditions. It will also give a great impetus to the practice of building socialism with Chinese characteristics.

Many comrades know well the necessity of seeking truth from facts but it is not easy for them to put into practice. The experience following the 3d Plenary Session of the 11th CPC Central Committee tells us that to seek truth from facts, we must take practice as the sole criterion of truth and value effect in all cases. To expand the productive forces is the most fundamental task of a socialist society and is where the most fundamental interests of our people lie. Under socialist conditions, the criterion of the productive forces is the basic criterion of practice. All things which can help to expand the productive forces are in conformity with the interests of the people. They are therefore needed and allowed by socialism. Conversely, all things which cannot help to expand the productive forces are in variance with socialism and are not allowed by socialism. In the past when we were plunged into "left" mistakes, we also talked about the principle of seeking truth from facts and the principle for the criterion of practice, but as a matter of fact, we paid no attention to the criterion of the productive forces when we handled affairs and judging right from wrong. Gauging a certain policy and measure, at that time we did not mind whether it promoted or hampered the growth of the productive forces, but we started from some static concepts and principles. In consequence, many "left" viewpoints which were divorced from China's specific conditions and hindered the development of the productive forces were adhered to for a long period, and many things that had been created by the masses for the development of the productive forces were smothered whenever they emerged. This is an important lesson to bear in mind. With the all-round development of reform, at present various new conditions, new problems and new things are coming out in an unending flow. How to correctly understand and deal with them and adopt correct measures and methods is still of prime importance for us. Due to the deep-rooted "left" thinking, it is particularly important for us not to see all new things from a rigid way of thinking and it is all the more necessary for us to pay much attention to the criterion of practice and the productive forces and value effect in all cases. Of course, the development of anything involves a process and at the beginning there are many imperfections. It should be continuously tested, replenished, revised and improved as it develops through practice. However, as long as it is suited and conducive to the development of the productive forces and even if it is not perfect for the time being, we must also support it and help to improve it.

To adhere to the principle of seeking truth from facts, we must try our best to find out the real state of affairs. And to proceed from actual conditions, we must see whether the conditions are really actual or not. What is more important for leaders is whether they dare to accept the

truth of a matter and whether they are willing to listen to what has been said to the truth of a matter, no matter whether the truth of a matter is in conformity with their subjective desire. Some of our comrades do make investigation but they usually do so in a conventional way of thinking. They do listen to reports from their subordinates but they usually like to listen to words of praise and refuse to listen to what has been said to things as they really are and even give an angry look to their subordinates. As time passes in this way, things as they really are can hardly be reflected to those leaders. As a consequence, they often make wrong judgment on a matter in accordance with distracted conditions and even the interests of the people are harmed by them but they still think they adhere to the principle of seeking truth from facts. Today when the situation in reform, opening up and modernization is rapidly developing, leaders in particular should often go deep into the realities of life and immerse themselves among the masses so as to really size up the ever-changing actual situation. Leading organs should keep their doors open wider to the people and increase their consultation and dialogue with the masses. Meanwhile, they must listen attentively to whatever the people say, regardless of sincere or harsh advice and regardless of praise or criticism. Only by so doing will they be able to practice democracy, act in a scientific way and seek truth from facts when they make policy decisions and exercise leadership.

Proceeding from the initial stage of socialism in our country, the 13th Party National Congress mapped out a grand blueprint for our country's construction and reform. Our country has a bright future and is full of promise. In the course of advance, we shall meet with many problems and difficulties and we must make a clear-headed appraisal of the situation. However, as long as we persist in working for the interests of the people and do not seek personal gains and as long as we can persevere in seeking truth from facts and taking practice as the sole criterion of truth, we will be able to iron out all difficulties we confront and to continue to make progress and we shall be ever-victorious

Basic Policy and General Plan for Accelerating and Deepening Economic Structural Reform
HK180931 Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 5-11

[Article by Gui Shiyong [2710 0013 6978]]

[Text] The keynote of the 13th Party Congress is to accelerate and deepen reform. Based on the initial stage of socialism, in light of the requirements of the party's basic line, and on the basis of earnestly summing up the experience of reform over the years, Zhao Ziyang's report delivered on behalf of the CPC Central Committee laid down the basic policy and general plan for accelerating and deepening economic structural reform. To correctly understand and earnestly enforce this policy

and plan will be vitally significant in further effecting a change in economic development strategy and attaining the goal of economic construction by the end of the century.

I

To accelerate and deepen reform, above all, it is necessary to deepen a scientific understanding of the nature of reform. Only thus can we increase our awareness of reform and unite the broad ranks of cadres and the masses to resolutely push reform forward.

What is the nature of China's economic structural reform? Regarding this fundamental question, our party has given a definite answer in many documents, particularly in the decision on the reform of the economic structure. Our reform is a self-development and self-perfection of the socialist system which is of a socialist nature. However, reform is a deep-going revolution. It involves readjustment of interests of various fields as well as a change in people's ideological concepts. As new conditions, circumstances, and problems have emerged one after another with the development of reform, some comrades have had misgivings about the nature of certain reform measures owing to their lack of understanding. Those who have promoted production by adopting these measures also feel anxious. Unless we put an end to this state of affairs, it will be difficult to deepen reform. Regarding such thinking, the report to the 13th Party Congress, in connection with the practice of reform over the years, has brilliantly analyzed and demonstrated the socialist nature of China's economic structural reform from these angles.

First, in the course of reform over the past few years, we allowed and developed some nonsocialist factors that were not permitted in the past. On the premise of the predominance of the public economic sector, we encouraged the development of the individual economy and also allowed the existence and development of the private economic sector. Is this a deviation from the socialist orientation? Regarding this question, the basic viewpoint of the report to the 13th Party Congress is: The private economic sector which involves wage labor is different from the individual economic sector. However, its existence and certain degree of development, which are allowed in the initial stage of socialism, are generally advantageous to consolidating and developing the socialist economy. This is determined by the conditions of social productive forces. Production relations can promote the development of productive forces only when they correspond to the productive forces. This is a basic Marxist principle. China's current social productive forces are relatively backward and their development is uneven. They are manifested in the following: A certain proportion of modern mass production coexists with backward small-scale production in many localities and a considerable proportion of mechanization and automation coexists with large amounts of handwork. This state of productive forces has determined that we

cannot practice a unitary ownership by the whole people, an absolutely pure public ownership. Instead, we should develop diverse economic sectors which include the individual sector and a certain amount of the private sector on the premise of the predominance of the public sector. It is suitable for individuals to engage in the production and operation of many businesses. With the development of the individual sector, the income gap will naturally be widened owing to the different technical operation, production conditions, and management level. Some people who are good at management and who have earned more income will allocate some of their funds for accumulation and hire a certain number of laborers to expand production. This gives rise to the private economic sector. Practice has proved that the existence and the development of the private sector are advantageous to pooling social funds and management personnel and increasing efficiency and developing social production. For this reason, although the private sector is not a component of the socialist economy, its existence can promote the productive forces. As the development of productive forces constitutes the material basis for consolidating and perfecting socialism, the existence and development of the private sector is advantageous in general to socialism.

Fundamentally speaking, the socialist nature of China's economy is determined by the predominance of the public sector rather than the development of the private sector. So long as the public sector occupies a dominant position, namely, controlling the economic lifelines of the country and holding a dominant position quantitatively, the socialist nature of the economy as a whole will not change no matter to what extent the individual and private sectors develop. In fact, no social economic formation can be absolutely pure. Generally, it consists of diverse economic sectors in which one sector occupies a dominant position, governing the position of other sectors and determining the nature of the social economy. This is so in a capitalist society as well as in a socialist society. According to statistics prepared by relevant departments, of the industrial output of the whole society in China, the public sector accounts for 98 percent, while the individual and private sectors account for only 2 percent. Although the proportion of the individual and private sectors may be a bit higher in commerce, the proportion of the public sector in the country's retail sales accounts for over 75 percent. This hard fact shows that the public sector occupies a dominant position in China's economy. We should encourage the development of the individual and private sectors as they are still small in number.

Although the private sector in China is related to wage labor, it is different from the private sector in capitalist countries. First, under the predominance of the public sector, the private sector is bound up with the public sector in many respects and is conditioned by the public sector; second, it must accept the policies and laws of the socialist state and the supervision, management, and

readjustment of the industrial and commercial administrative departments; and third, although the laborers are hired by an employer, they are still masters of the country. Under such circumstances, if our policies are correct, we can guide the private sector to serve socialism, fully exploit its positive role and restrict its negative role so it can become a necessary and useful complement to the socialist economy. The pressing task of the moment is to formulate policies and enact laws governing the private sector as soon as possible, in order to protect its legitimate interests and provide it with more effective guidance, supervision, and control.

Regarding the question of diverse economic sectors, the report to the 13th Party Congress also has an important exposition, that is, that different proportions of various sectors should be allowed in different spheres and localities. Proceeding from the actual reality of the uneven development of different localities and the varying degrees of importance of various economic spheres, this exposition will be advantageous to rationally distributing various economic sectors in line with local conditions and further promoting the development of social productive forces.

Second, reform over the years has changed the concepts which were regarded as socialist systems and methods in the past, such as mandatory planning, state monopoly for purchase and marketing, the supply system in distribution, and so on. Is all this a deviation from the socialist orientation? The crux of the matter is whether these systems and methods belong to socialism and whether a change of these will transform the nature of socialism. Now it seems that these systems and methods do not belong to socialism. Excessive mandatory planning and state monopoly for purchase and marketing were measures adopted during the initial post-liberation period when China wanted to rapidly lay a foundation for its industrialization under extremely backward economic conditions. These measures played a positive role at that time. However, they do not conform to the requirements of a socialist commodity economy and are disadvantageous to arousing the enthusiasm of enterprises and peasants. Now that conditions have changed so much, if these systems and methods are not reformed, they will hinder the development of social productive forces and a commodity economy. For this reason, it is precisely a perfection of socialism rather than a deviation to reform these systems and methods and replace them with the systems and methods that conform to requirements for developing a socialist commodity economy. The purpose of eliminating certain irrational factors of the supply system is to overcome egalitarianism and implement the principle of distribution according to work. Consequently, the nature of socialism will be more obvious.

Third, in the reform over the years, we adopted the forms and means to organize and manage socialized production which emerged under capitalist conditions, such as developing a financial market and markets for capital goods and technology, issuing bonds and stocks,

and so on. Is all this a deviation from the socialist track? The key to this question lies in drawing a distinction between the things that emerged under the capitalist conditions and those with the intrinsic nature of capitalism. Although these forms and means have emerged from and developed in the capitalist society, they do not belong exclusively to capitalism. They are things that inevitably emerged from the development of socialized production and a commodity economy. In history, socialized production and a commodity economy developed enormously in capitalist formation. However, they do not belong exclusively to capitalism. Socialism should also develop a high degree of socialized production and a commodity economy and establish itself on this basis. Therefore, the forms and means to organize and manage socialized production under the conditions of a commodity economy can and should be adopted by socialism. Otherwise, it will be impossible to promote commercialization, socialization, and modernization of production and to consolidate and perfect socialism. Thus, the question does not lie in whether these forms and means should be adopted, but who will adopt them to serve whom and to attain what purposes. As some things are produced under capitalist conditions and are used by capitalists, they are bound to have the color of capitalism. While applying these forms and means, we should, in connection with China's reality, make an analysis and examination, select the essential and discard the dross, give full play to their positive role, and prevent their negative role.

We can draw the following conclusion from the above analyses: It is not that our reform has deviated from the socialist orientation, but rather that it is due to our misunderstanding of socialism and to people's understanding lagging behind practice, as in the following two circumstances: First, people's understanding of a commodity economy cannot keep pace with practice owing to the traditional, unrealistic theoretical views. For a long time in the past, we set a commodity economy against socialism and regarded it as alien. As a result, the measures and methods which restricted, weakened, and even eliminated commodities and the market were regarded as an advance and adherence to socialism, while the measures and methods which were adopted to promote commodities and the market were regarded as a retrogression and restoration of capitalism. Now we have come to realize that socialism is not against a commodity economy. In fact they form a unity. Under socialist conditions, instead of restricting it, we should vigorously develop a commodity economy. This fundamental change in view will inevitably lead to a replacement of a series of views. Our understanding of the market, mandatory planning, allocation of products, state monopoly for purchase and marketing, bonds, and stocks should also change correspondingly. Our comrades' lack of understanding of various questions has led to certain misgivings and anxieties. Second, the misunderstanding attached to socialism under the ideological influence of the "leftist" deviation. For example, for quite some time in the past, we regarded scientific

management of factories, giving full play to the role of experts, piece rate wages, bonuses, the system of contracted responsibilities with payment linked to output in rural areas, diversified economies, and country trade as capitalism or revisionism. We went to extremes during the "Great Cultural Revolution" and criticized development of production as restoration of capitalism. Did not the saying "we prefer weeds of socialism to seedlings of capitalism" prevail in those years? All this completely confused our understanding of socialism. Many things which hindered the development of productive forces and did not belong to socialism were defended tenaciously as "socialist principles," while those things advantageous to the development of productive forces and to commercialization, socialization, and modernization of production under socialist conditions were dubbed "restoration of capitalism" to be criticized. Unless we break with the unrealistic traditional concepts and clear up the misunderstanding attached to socialism, it will be impossible to fundamentally push reform forward. The scientific analysis made by the report to the 13th Party Congress of the nature of reform is precisely a powerful ideological weapon for us to deepen our understanding, seek unity of thinking, and unite the whole party to promote and deepen reform.

II

Fundamentally speaking, the purpose of our economic structural reform is to transform the product planned economic system into a planned commodity economic system. To this end, a correct understanding and handling of the relation between planning and the market is a central issue concerning the overall situation of reform. In a sense, Comrade Zhao Ziyang once said, economic structural reform is a reform of the planning system. This is indeed true. Under the system based on highly centralized mandatory planning, enterprises lacked the necessary decisionmaking power and vitality. Meanwhile, unified state control over income and expenditure and unified allocation of goods rejected the market and the role of market mechanism. If the planning system is not reformed, it will be difficult to promote the reform in other fields. Conversely, the development of reform in other fields will inevitably involve the planning system. For this reason, to accelerate and deepen reform, it is necessary to make a breakthrough first on the question regarding the relation between planning and the market. In view of this objective demand of the ongoing reform, on the basis of earnestly summing up experience, the report to the 13th Party Congress made further expositions on the relation between planning and the market, which inherited and developed the theses of the decision of the CPC Central Committee on reform of the economic structure.

In my opinion, the new contributions made by the report to this question are manifested in the following three aspects.

First, the report to the 13th Party Congress has duly separated the planned nature of a socialist commodity economy from the forms and means of the planned nature, thereby drawing a clear line of distinction between a socialist commodity economy and the capitalist commodity economy and also providing an opportunity for us to correctly understand and handle the relation between planning and the market. The report pointed out: "The essential difference between the socialist and capitalist commodity economies lies in the form of ownership on which they are based. The socialist commodity economy based on public ownership provides the possibility for the society to maintain a balanced growth of the national economy." These remarks are the inheritance of the expositions of the CPC Central Committee's decision on economic structural reform. The "Decision" pointed out that the difference between socialist and capitalist economies, as far as a commodity economy and the law of value are concerned, lies not in whether these are still functioning, but in the difference in ownership, in whether there is an exploiting class and whether the working people are masters of the state, in the different purposes of the production, in whether the law of value can be consciously applied throughout production... In my opinion, the planned nature of a socialist commodity economy lies in consciously maintaining the coordinated development of the economy of society as a whole and serving the needs of the people. In this regard, it is superior to and different from the capitalist commodity economy. As for the application of planned regulation and market regulation to turn such possibility into reality, it is just a matter of method and means. To realize the planned nature, we can and should flexibly apply the means of planned regulation and market regulation. We should not equate application of planned regulation with socialism or application of market regulation with capitalism.

Second, the report to the 13th Party Congress pointed out for the first time: "The socialist planned commodity economy should be a system that integrates planning with the market." "On the whole, under the new economic mechanism 'the state regulates the market, and the market guides enterprises.'" This further defined the relation of principle between planning and the market and the pattern of their combination. Apart from a small number of key projects, special enterprises, and the sought-after commodities that are of vital importance to the nation's economy and the people's livelihood which should still be directly controlled, the state will exercise indirect control over enterprises with the market as an intermediary. In such a pattern, planning is not contradictory to or against the market. They also do not mechanically overlap each other. Instead, they are genuinely integrated. There is no planning without a market basis and market mechanism, nor is there a market which deviates from planned guidance and planned regulation. The state regulates the relation between supply and demand through economic, legal, and necessary administrative means and creates a favorable economic and social environment in which enterprises are guided

toward correct management decisions. Naturally, the attainment of this goal is an evolutionary process. In the course of attaining the goal, it is inevitable that various forms of transition which integrate planning with the market will emerge. Nevertheless, our goal is to establish a system which integrates planning with the market.

Third, the report to the 13th Party Congress not only set the pattern which combines planning with the market, but also expounded the main way to effect a transition toward this goal, that is, through various methods including signing of contracts between the state and enterprises and between enterprises, planning work should be established on the basis of commodity exchange and the law of value so as to gradually reduce the scope of mandatory planning and extend guidance planning and eventually transfer to the pattern based on indirect control which integrates planning with the market. This explanation is clearer and more specific than the expositions of the "Decision." It should be noted that the report to the 13th Party Congress has another new important thinking. It emphasizes that industrial policies should be an important link which integrates planning with the market. Planning work should be focused on overall and structural control, particularly on studying development strategies and formulating industrial policies, and should comprehensively apply economic levers to ensure their realization. Only by so doing can we appropriately integrate planning with the market and macromanagement with microflexibility.

III

After making a profound analysis of the nature of reform and further expounding the relation between planning and the market, the report to the 13th Party Congress also drew up plans for the tasks and contents of accelerating and deepening reform in the future. The report pointed out that our current main task in deepening reform is to change the managerial mechanism of enterprises and, with that end in view, to institute supporting reforms in the systems of planning, investment, allocation of materials, finance, monetary affairs, and foreign trade. In this way we will gradually establish the basic framework for a planned commodity economy. The report clearly put forward the contents of reform in six respects, covering much ground, but I will only make a brief summary here.

First, to deepen reform, it is necessary to begin by deepening enterprise reform because this constitutes the key link of reform. How should we deepen enterprise reform? Focused on invigorating the large and medium-sized state-owned enterprises, it is necessary to effect a change from merely extending decisionmaking power and retaining profits in the past to establishing a managerial mechanism which integrates responsibility with powers and benefits.

Collective and small-sized enterprises have been invigorated through reform carried out over the years. However, large and medium-sized enterprises, the backbone of the national economy, are not yet fully invigorated. The essential reasons include: First, the powers to be delegated to enterprises are not yet delegated for various reasons; and second, the reform of extending powers and retaining profits has not touched the question of establishing an enterprise managerial mechanism. As a result, although enterprises had decisionmaking powers to a certain extent, they assumed responsibility merely for their profits, but not for their losses. It could neither tap the latent potentials of enterprises nor enable enterprises to positively and quickly react to the state's macroscopic regulation. To push reform forward, this question must be solved. A mechanism in which enterprises can develop by themselves as well as exercise self-restraint, genuinely carry out independent operation, and assume sole responsibility for their profits and losses should be gradually established.

To achieve this, it is necessary to push reform forward in the following two aspects: First, continue to readjust the structure of ownership. On the premise of the predominance of the public economic sector, it is necessary to vigorously develop diverse economic forms. Regarding those things suitable for the collective or individuals to handle, we should give them a free hand in the work. Instead of the state-owned enterprises undertaking everything, we should encourage a certain amount of development of the private economic sector. Some small state-owned enterprises can be leased or transferred with compensation to collectives or individuals for operation. The public sector should also develop various forms. Apart from ownership by the public and the collective, we can also develop state-owned enterprises run jointly by the public and the collective or by shareholders. Second, in accordance with the principle of separating ownership from the right of operation, it is necessary to establish a managerial responsibility system which integrates responsibility with powers and benefits and to let enterprises carry out independent operation and assume sole responsibility for their profits and losses. The forms of managerial responsibility system can be varied and flexibly adopted in light of the specific conditions of enterprises, and no uniformity should be imposed. At present, there are three forms in practice, that is, leasing, joint stock, and contract. From a general point of view, leasing is effective in small enterprises. As we still lack experience in the joint stock system composed mainly of shareholders in the development of lateral ties, the system should continue to be tried out. The contracted responsibility system in operation is relatively suitable for large and medium-sized enterprises. As there are also many forms of contract, we should not impose uniformity. Introduction of the competition mechanism is an important development of the contract system in recent years. In the past the state negotiated with enterprises on a reciprocal basis, but now the operators are chosen

through public bidding. By doing so we can enable a number of entrepreneurs skilled in management to emerge through competition. This will be of far-reaching significance.

Second, the reform of the market should be gradually shifted from lifting the restrictions on a commodity market to establishing a socialist market system.

A market constitutes the external conditions for enterprises to carry out independent operation. While the state exercises macroscopic indirect control, it also serves as an intermediary. Through reform over the years, the market for farm and sideline produce has taken shape, the market for capital goods and short-term funds has developed to a certain extent, and the market for technology and labor service is taking shape. According to statistics, the proportion of planned guidance prices or market regulated prices under state management is 65 percent in farm and sideline produce, 55 percent in manufactured consumer goods, and 40 percent in capital goods. To sum up, the prices of around 50 percent of the commodities are fixed according to planned guidance and market regulation under state management. The reform ahead should be deepened from the following: On the one hand, while continuously expanding the commodity market, it is necessary to vigorously develop markets for capital, technology, information, real estate, and other essential factors. With a commodity market but without the markets for essential factors, it will be difficult to fully exploit the positive role of the market mechanism. On the other hand, it is necessary to build up the market. Practice has proved that a market cannot come into being once we implement an open policy. We need a unified and open market under state management and leadership rather than a monopolized and closed market or a disorderly market. Such a market requires a great deal of organization and nurturing, like setting up new types of circulation, financial and information organizations, establishing a normal market order, and strengthening legislation and supervision.

The key to establishing a socialist market system lies in pricing reform which includes reform of the irrational price system as well as the overcentralized price management system. The two should be properly combined. Our target is to gradually establish a system in which the state exercises management over the prices of a small number of essential commodities and labor, while the prices of most of the commodities and labor are regulated by the market. Naturally, a considerable time will be required to attain this target because pricing reform involves the vital interests of thousands upon thousands of households and the broad masses. As the financial capacity of the state is limited, it is necessary to adhere to the orientation, adopt a vigorous attitude, and take steady steps. It is necessary to take the capacity of all fields fully into account and to ensure that the overall level of prices will not fluctuate drastically. Pricing reform should also be coordinated with the policy of income readjustment

to ensure that the people's actual living standard will not be downgraded in the course of reform, but will gradually improve with the development of production.

Third, state management over enterprises should be shifted from merely delegating power and giving enterprises more profit concessions to changing management functions and establishing a system based on indirect management. State management over enterprises should change from direct management to indirect management. This was the direction of reform pointed out by the "Decision." This change started from delegating power and giving enterprises more profit concessions. However, like extension of power and retention of profits which could not change the managerial mechanism of enterprises, delegation of power and giving enterprises more profit concessions could not change the functions of the government departments responsible for economic work. As a result, little or no management was exercised over the power delegated, while the old method was adopted in exercising management over the power not yet delegated. This gave rise to inflexibility in the power not delegated and confusion in the power delegated, and to loopholes and frictions in macromanagement. Regarding the next step of reform, while continuously delegating those powers that should be delegated, we should put the stress on establishing a mechanism of indirect control and genuinely changing the management functions in connection with structural reform. The government departments responsible for economic work should gradually extricate themselves from exercising direct management over enterprise affairs and focus their work on studying strategies and formulating policies, and on planning, coordination, supervision, and service. Therefore, it is necessary to institute supporting reforms in the systems of planning, investment, allocation of materials, finance, monetary affairs, and foreign trade.

Fourth, reform of distribution. Suited to the development of diverse economic forms with the predominance of the public sector, the report to the 13th Party Congress pointed out for the first time, diverse forms of distribution should also be adopted with distribution according to work remaining predominant. Regarding interest, dividends, risk-taking compensation, and unearned income received by private enterprises from employing a certain number of workers, they should be allowed so long as they are acquired legally. Of the income of the Chinese people, a large portion comes from distribution according to work and from individual labor operations, while only a small portion comes from interest, dividends, and wage labor. Although the amount may be large for certain individuals, it accounts for a very small proportion in society as a whole. Under these general principles, the report pointed out that the focus of reform regarding distribution should be put on overcoming egalitarianism, eliminating the practice of being jealous of other people's high income, and widening the differences in personal income to a reasonable degree.

Meanwhile, it is essential to adopt effective measures to readjust excessively high personal income and to bring to justice anyone who makes exorbitant profits by illegal means.

From the angle of reform, the report to the 13th Party Congress approached the question of preventing excessive consumption. This is a new angle. The ground for raising this question is that all socialist countries that have introduced reform have encountered a similar question, that is, the growth of consumption exceeded the growth of production which resulted in adding difficulties to reform. This symptom has also developed in China. A few years ago the consumption level of the urban and rural inhabitants in China increased at an average of 15 percent annually, while the average annual growth of production was only 10 percent. Naturally, there is a factor of historical "debt." But excessive consumption is indeed a fact. Why has this been a universal phenomenon? Because these socialist countries had a common characteristic prior to their reforms, that is, an overcentralized system and undue emphasis put on the development of heavy industry which resulted in more or less neglecting the improvement of the people's living standards. For this reason, reform should develop from overcentralization to appropriate decentralization and from laying undue emphasis on heavy industry to the coordinated development of the national economy. In this regard, there is a question of making up the consumption "debt." Although consumption is extremely elastic just like a pressed ball which inflates once it is released, it is also rigorously inflexible and causes envy, since once it is inflated, it will never be deflated and when consumption increases in one unit, the others will follow the example. In addition, while flexibility was allowed in minor issues during the early period of reform, the establishment of a micro-self-restraint mechanism and a new macrocontrol mechanism was delayed which easily gave rise to excessive consumption. Excessive consumption resulted in conditioning the expansion of production and construction and draining the staying power of economic development on the one hand and bringing colossal difficulties directly to the deepening of reform on the other. Because to deepen reform, it will be necessary to further readjust the relation of interests of the people. To steadily and smoothly carry out such readjustment, we can only readjust the proportional growth of various fields while universally increasing people's benefits, that is, everyone having an increase, with some having a little more. To promote reform in light of this method, it is necessary to have more newly increased national income. China's economy is relatively backward and the newly increased national income every year is limited. After deducting the portion for supporting the newly increased population, the funds for expanding production and construction and improving the people's living standards are limited. This conditions the progress of reform. If we excessively raise the level of consumption under such circumstances, we will have less room for maneuver and it will be difficult to introduce essential reform measures

owing to a lack of bearing capacity. For this reason, viewed from either the angle of developing construction or deepening reform, we should uphold the policy of plain living, hard struggle, and building the country with industry and thrift; duly control the growth of consumption; and resolutely prevent and eliminate excessive consumption.

Regarding the plan for the progress of reform, the 13th Party Congress has particularly reminded people to have a clear understanding of the arduousness and complex and protracted nature of reform. Our reform should eliminate and correct the things in production relations which hinder the development of productive forces and also improve and establish new organizations, mechanisms, and standards necessary for developing the productive forces. In the course of its progress, reform is bound to encounter obstacles. As we can only carry out reform in a relatively restricted economic environment, it adds difficulties to reform. For this reason, on the one hand, we should further emancipate our minds and speed up the pace of reform with great determination, and on the other hand, we should base ourselves on practical conditions, advance steadily, and never be impatient for success. To sum up, the period required to set up the framework of a new system will be longer than the one estimated in the Seventh 5-Year Plan. The reform measures should be systematic and coordinated. Particular emphasis may be laid on certain reforms in different years, nevertheless, we should give consideration to other reforms at the same time so that they are mutually converged and coordinated. Under the guidance of the party's basic line, I believe our reform will certainly be able to overcome all difficulties and attain the anticipated goal so long as we work hard in a down-to-earth manner in light of the basic policy of accelerating and deepening reform laid down by the 13th Party Congress.

Reform Government Organs, Overcome Bureaucratism, Improve Administrative Efficiency—What I Have Learned Through Studying Comrade Zhao Ziyang's Report to the 13th CPC National Congress

HK031540 Beijing HONGQI [RED FLAG] in Chinese No 24, 16 Dec 87 pp 12-16

[Article by He Guanghui [6320 0342 6540]]

[Text] A central topic discussed at the 13th Party Congress was to speed up and deepen the reforms. The reform of government organs is an important part of the political structural reform. Comrade Zhao Ziyang said: "Bureaucratism remains a serious problem in the political life of our party and the state." "It should be noted that overstaffing, overlapping, and unwieldiness of government organs, confusion of their responsibilities, and buck-passing are also major causes of bureaucratism." Following the comprehensive and in-depth development of the economic structural reform, we have successfully introduced a series of reform measures with respect to

planning, financial work, taxation, pricing, banking, commerce, labor, and wages, thus bringing about very significant changes in the operational mechanisms of the national economy. Thus, there is an increasingly urgent need to correspondingly reform government organs. If we do not reform them, the in-depth development of the economic structural reform will be impeded. Conditions are now ripe for the reform of government organs. Thus, we should promptly make up our minds to carry out reforms in a downward direction in order to overcome bureaucratism and raise administrative efficiency.

I. Bureaucratism and Low Administrative Efficiency Are Persistent Problems Seriously Besetting the Building of Socialism

Generally speaking, government work, whether in the field of internal affairs or in the field of international intercourse, is at present beset with the serious problems of bureaucratism and low efficiency. In some areas, the situation has become intolerable. This is mainly observable from the following phenomena:

1. As a result of the overconcentration of power, leadership organs at various levels have taken charge of many matters which they should not and cannot handle, or cannot handle efficiently. Overconcentration of power is a major defect of our current political structure as well as the reason why there are the serious problems of bureaucratism and low efficiency. As far as the party-government relationship is concerned, there are the problems of the overconcentration of power in the hands of the party, the lack of distinction between the functions of the party and those of the government, and the displacement of the government by the party. Concerning the relationship between central and local authorities, there is the problem of power being concentrated in the hands of central authorities, which affects local enthusiasm and initiative. Regarding the relationship between the government and enterprises, there are problems of the overconcentration of power in the hands of the government, the lack of distinction between the functions of the government and those of enterprises, and the displacement of the enterprises by the government. As far as government work is concerned, there are problems of the confusion of the responsibilities of the central government and those of local governments, that of all levels of organs having their counterparts [cengceng duikou 1461 1461 1417 0656], and that of the concentration of management power in the hands of central authorities. As a result, overall control is ineffective, the control of financial resources is relatively decentralized, departments and regions are divorced from each other, orders are issued and policies made by many authorities, "higher authorities are divided, and units at lower levels are inactive." On the other hand, because of the lack of distinction between government and enterprise functions, governments at various levels interfere too much in enterprise business all the time, the status of enterprises has become that of government subsidiary bodies, and they have no vitality.

2. The structure is irrational because of the overlapping of organs, the large number of levels, and the confusion of responsibilities. It can be seen from the party structure that under the party, there are many organs that overlap and correspond to government organs and that the party has taken charge of much government work in spite of its failure to take proper care of some of its own business. On the other hand, it can be seen from the government structure that its economic management departments have been set up basically according to the requirements of a product economy and on the basis of the principle of management according to departments, that there are too many departments directly in charge of enterprises and the production of certain products, that the division of labor is too elaborate, and that it and its organs are not playing their roles satisfactorily in regulatory work, supervision, information services, and social security. Thus, they are ill-adapted to economic and social life. Regarding government organs, vertically, there are too many management levels and, laterally, their management responsibilities overlap to a very high degree. The distribution of government functions is not scientific and the government structure is irrational. Its macrocosmic management functions, its macroscopic policy-making functions in particular, are ineffective. Its policy-making does not conform to procedural norms and is unscientific. The government merely distributes money and materials to enterprises, sets quotas, approves projects and is thus unable to extricate itself from routine work. As a result, its organs are oversized and overstaffed, responsibilities overlap and are ill-defined, there is red tape everywhere, people habitually pass the buck, bureaucratism prevails, and efficiency is low. All this has a harassing effect on the smooth progress of the economic structural reform.

3. The organs' personnel system is rigid, their personnel makeup is irrational, and personnel quality is low. Cadres and personnel management power in government organs is highly centralized, the use of personnel is not consonant with the management of affairs, the management system and management methods are simplistic, things are not done according to law, people readily accept jobs, promotions, and office but are reluctant to give up their posts, accept demotions, or remain commoners, and they cannot sift out what is good from what is bad. The personnel structure is irrational—there are too many single-skill workers of the technical type but too few all-rounders, who have legal knowledge, of the managerial type; the cadres of economic management departments are so accustomed to the direct administrative means typical of a product economy that they are ill-adapted to indirect management, which features the application of economic means and laws; and they lack modern management knowledge. Since tertiary industry in the country is still not well developed and not sufficiently socialized, in government organs at various levels there are many logistics and service departments which employ a large number of people. Generally speaking, it is difficult for young and able government administrators to rise to prominence, the leading bodies at all levels

are aging, government organs lack vitality, and it is difficult to overcome unhealthy practices.

Since the founding of the country, we have, with our attention focused on the economic management organs, made several major attempts to reorganize and streamline government organs. Our purpose in doing all this was to overcome bureaucratism and raise efficiency. However, the result, a cycle of "streamlining—swelling—re-streamlining—re-swelling," was not satisfactory. After summing up experience and the lessons learned, we have discovered that first, when we reformed the organs [jigou gaige 2623 2845 2395 7245], we did not carry out structural reforms [tizhi gaige 7555 0455 2395 7245] at the same time, that power is concentrated in a few hands, that party functions are not separate from government functions and government functions not separate from enterprise functions, the division of labor between departments is too elaborate, and that there are too many administrative levels. If this system and these organ functions remain unchanged, the reform of organs cannot produce the desired results even if we abolish some organs, merge them, and reduce their staffs. Second, the reform of organs was not combined with the reform of the cadre and personnel system. As a result, we failed to improve the makeup and quality of the personnel of our organs and the reassignment of cadres became one of the major problems in the course of the reform of organs. Third, organs were established and readjusted in an unscientific and somewhat subjective and arbitrary way. We did not regard administrative management as a science, the legal system was, and still is, far from perfect, the responsibility system was not practiced, and we failed to effectively control and supervise the organs and their staffs. Therefore, streamlined organs were able to expand again and we found it difficult to overcome bureaucratism and raise efficiency.

II. Decentralization of Power Is the Basis for Changes in Government Functions

Facts tell us that if we cannot solve the problem of the overconcentration of power in the course of the reform of organs, the functions of government organs will not easily change and this does not help us arouse the enthusiasm of grass-roots units and the masses. Decentralization of power should be centered on the relationship between central and local authorities and on that between the government and enterprises. The central authorities should delegate power to local authorities and smooth out the relationship between them and leadership organs at various levels should delegate power to enterprises and smooth out the relationship between the government and enterprises.

1. The overriding principle regarding the decentralization of power is that whatever is proper for people at lower levels to do should be decided and done by them. Ours is a big country with a large population. We cannot ask the central authorities and government organs to handle and manage all major and minor economic,

political, social, and cultural affairs. If high-level leadership organs monopolize everything and interfere all the time, they will get tied up with routine matters, organs will become oversized, bureaucratism will prevail, efficiency will remain low, they cannot properly handle those matters which they should handle, and the enthusiasm of low-level governments, grass-roots units, and the masses will be dampened. Central and local authorities, the government, and enterprises each have their own responsibilities. Each has its own responsibilities and should mind its own business. Local authorities, grass-roots units, and enterprises should be allowed to decide and do whatever they should decide and do. High-level leadership organs should mainly introduce principles, policies, laws, regulations, and systems and exercise supervision but should not interfere in specific matters.

2. There should be an appropriate division of power between the central and local authorities and they should try to smooth out the relationship between them. While ensuring that central orders and decrees are consistent and conformed to throughout the whole country, it is necessary to introduce a certain degree of division of power and to clearly define the terms of reference of central and local authorities, in order to fully arouse their enthusiasm. The central government's chief responsibilities should be to handle defense and external affairs, formulate strategy for socioeconomic development and important principles, policies, laws, and regulations, conduct management, regulate things, and exercise control on a macroscopic scale, and supervise the implementation of central policies and the enforcement of central regulations by local governments; whereas those of local governments should be, while ensuring that the central government's decrees and orders will be implemented, to manage local cultural and educational affairs, public health services, sports activities, environmental protection, and public utilities and to facilitate economic, social, and cultural development by introducing favorable conditions. The central government should not directly interfere in the business of local governments. It should let local governments manage local affairs.

At present, in defining the terms of reference of central and local authorities, attention should be focused on drawing a distinction between administrative power and the control of financial resources. The central authorities should further decentralize management power and, in particular, delegate economic management power to the key cities, thus further enhancing their role as urban economic centers. This is favorable to the development of our socialist commodity economy. Regarding the control of financial resources, it is necessary to promptly create conditions for instituting a system of tax distribution, to draw a clear distinction between central revenue and expenditure on the one hand and local revenue and expenditure on the other, to ensure that central revenue is stable and constitutes a very large share of the

country's total revenue, and to ensure that local authorities have certain sources of revenue by introducing certain local taxes.

3. It is necessary to separate government and enterprises, to decentralize power, and to smooth out the relationship between the government and enterprises. Governments at all levels should make an effort to simplify administration and decentralize power, delegate operational powers to enterprises, make an effort to arouse the enthusiasm of low-level units, and let the enterprises operate independently and assume sole responsibility for their own profits and losses. At present, there are too many organs in charge of enterprises and too many corporations. They refuse to loosen their grip on enterprises. Sometimes, they even try to take in more power whenever power is delegated to lower levels. As a result, units at lower levels cannot be effectively revitalized and the reforms are hampered.

Our reforms began first in the countryside. In substance, the purpose of the application of the output-related system of contracted responsibility in the rural areas is to delegate production-related operational power to grass-roots production and operational units in the rural commodity economy and to peasant households. As a result of the application of this system, the peasants' enthusiasm has been greatly aroused and the rural economy has become unprecedentedly dynamic. In the course of our urban reforms, many grass-roots enterprises have called for the application of the contracted management responsibility system on the basis of our experience in the rural reforms. They are the same thing in substance. By decentralizing power and by giving operational power to enterprises and their operators in accordance with the principle of separating ownership and operational power, we can arouse the enthusiasm of grass-roots units and enterprises, free the government from trivial routine matters, and help it overcome bureaucracy.

The separation of government and enterprises is dictated by the difference in the nature of their functions. The government is a political power organization as well as the state's administrative organ. However, the enterprises are economic organizations as well as legal entities with certain rights and obligations. In principle, government organs at various levels should not directly manage enterprises, but should replace direct control by indirect control as the predominant practice. Enterprises should register in their own locales and pay taxes locally and should be managed by the appropriate specialized departments [qui kou [2981 0656]] according to the types of business they are doing. Their party organizations should, in accordance with the principle of local jurisdiction [shu di yuan ze [1466 0966 0626 0463]], be put under the leadership of local party committees. Guilds voluntarily organized by enterprises will act as points of contact and bridges between enterprises and the government. Enterprises should, under the guidance

of the party's and the state's policies, operate within the bounds of laws and subject themselves to the inspection and supervision of the relevant government departments.

III. Alternation of Functions Is the Key to the Reform of Government Organs

Historical experience tells us that if we simply abolish, merge, and streamline government organs without changing their functions, we cannot achieve our reform objectives and streamlined organs will become oversized again very soon. Thus, we must first focus our attention on changing their functions, particularly on changing the functions of the government's economic management departments, in the light of the constantly developing economic structural reform.

1. It is necessary to delegate to government organs those functions of party organs which overlap with those of government departments, to clearly distinguish between party and government functions, and to make each of them perform its own functions, in accordance with the principle of separating the party and the government. The party exercises political leadership, that is, it exercises leadership as far as political principles, political directions, and important policies are concerned, and is supposed to recommend important cadres to organs of political power. Party leadership does not imply that it should monopolize all specific government affairs. It should exercise leadership through its line, principles, and policies, which it should implement through the activities organized by its organizations and through the exemplary role of its party members, particularly those of them who are government office-holders. Party organizations should devote vigorous efforts to party building and do ideological, political, and mass work properly. The central purpose of the party's work is to help and lead the people to be the masters of their own affairs. It is necessary to delegate to the government those administrative functions that should be performed by government organs, such as judiciary administration, personnel management, the management of cultural affairs, the management of economic affairs, and the management of religious and ethnic affairs, in order to strengthen government jurisdiction over these matters and to help it establish an effective administrative system.

2. The government should, in accordance with the principle of separating the government and enterprises, replace the direct control of enterprises by indirect control as the predominant practice. After the separation of government and enterprises, those government departments in charge of overall economic management can free themselves from such trivial matters as the distribution of money and materials and the examination of proposed projects and concentrate on macroeconomic management. Their main responsibilities should be to formulate economic and social development strategies, to try to balance gross social supply and gross

social demand, to readjust the major proportionate relations in the national economy, to work out policies regarding the deployment and distribution of important resources and major technology-related and economic policies, to properly exercise macroeconomic control by economic-regulatory means, and so on. The government's specialized economic departments should give up their direct control of production and enterprise operations, try to free themselves from trivial matters, and divert their attention from all this to the management of whole trades. Their chief responsibilities should be to formulate policies, to draw up overall plans, to organize and coordinate things, to supervise, and to provide various types of service. It is necessary to enhance the competence of the policy-making, advisory, regulatory, supervisory, and information departments and to help the government more effectively regulate and control macroeconomic activities, in order to gradually bring about a situation in which the state regulates the market and the market guides enterprises.

At the same time, it is necessary to further deepen the reform of enterprises, the economic structural reform, and, in particular, the reform of the investment system and the goods and materials supply system. Key construction should be managed in accordance with a funding system. We must establish some investment companies. Enterprises should gradually replace the government as the major investor in regular construction projects and technical transformation projects. They should accumulate their own resources and transform and develop themselves. The state should no longer distribute capital construction investment and technical transformation loans according to the division of departments and regions and the specialized departments should no longer be required to distribute investment and loans. The quantity and range of goods and materials subject to unified state distribution should be reduced. Those goods and materials that should be distributed by the state should no longer be distributed according to the division of departments and regions. The specialized departments should no longer be involved in the distribution of goods and materials. It is necessary to expand the capital goods market and to let enterprises be more concerned about the market than about government requirements.

3. It is necessary to draw a clear distinction between the functions of central government and those of local governments. It is necessary to draw a clear distinction between the central government's administrative power and financial power and those of local governments in accordance with the principle that financial administrative power and financial power should be consistent with each other. It is necessary to further reform the financial and taxation systems, to study the system governing the level-by-level management of property owned by the whole people, and to redefine central and local revenue and expenditure. Governments at all levels should simplify administration, decentralize power, and let the enterprises operate independently and assume sole

responsibility for their own profits and losses. In this way, local government can reform their organs on the basis of an alternation of their functions, put an end to the practice of setting up departments according to types of products and the practice of establishing organs according to the principle of establishing corresponding organs through all levels. Their terms of reference should be broad in scope and administrative levels should be few. They can, depending on the local economic circumstances and the distribution of ethnic groups, either strengthen or curtail the functions of certain organs and either set up or not set up certain additional organs.

IV. The Reform of Government Organs Is Focused on the Economic Management Departments

As introduced at the 13th CPC National Congress, the political structural reform is a comprehensive reform. The reform of government organs is also a comprehensive reform. However, this reform is focused on the economic management departments.

The purpose of the comprehensive reform of government organs is, through the decentralization of power, to smooth out relations, alter functions, streamline organs, change work methods, perfect the operational mechanisms, reorganize the organs' personnel system, speed up administrative legislation, boost the vitality of government organs, overcome bureaucratism, raise efficiency, arouse the enthusiasm of grass-roots units and the enthusiasm of the masses, and establish a scientific management system which is compatible with the country's new political structure and new economic structure, which has Chinese characteristics, which meets modern management requirements, which can perform a wide range of functions, which is structurally rational, which works smoothly and in a well-coordinated way, and which is both flexible and efficient. The reform focuses on the economic management departments mainly because in the past we delegated economic management functions and set up economic management organs according to product economy patterns and in accordance with direct management practices. As a result, the division of labor between the government's economic management departments was becoming increasingly elaborate and government departments were growing in number. Malpractices in government organs are the most serious in the economic management departments. Ill-adapted to the development of our socialist commodity economy, these departments impair the government's cultural, social, and other functions and prevent its organs in these fields from working smoothly, thus making the distribution of government functions very unsatisfactory. In addition, because of the extensive development and deepening of the economic structural reform, the government's economic management departments at all levels are urgently required to change their functions and streamline their setups. If they fail to do all this, they will be an obstacle to the economic structural reform and

impede our deepening of the enterprise reforms. Thus, it is necessary to concentrate energy on the reform of the economic management organs.

The reform of economic management departments should be carried out in line with the economic structural reform and in accordance with the principle of separating the government and enterprises. We should, on the basis of an alternation of their functions, appropriately and methodically merge and abolish the specialized management departments, strengthen the management of various trades, streamline the specialized departments within general departments, and help the general departments perform their macroeconomic management functions more satisfactorily and improve their work style. We should, proceeding from the need to make the setup of our organs scientific and coherent, appropriately strengthen the policy-making, advisory, regulatory, supervisory, audit, and information departments and enhance the government's ability to control and regulate macroeconomic activities. At the same time, all administrative corporations, organs upgraded in recent years, and the large number of interim organs must be reclassified and seriously consolidated depending on the circumstances. Those organs which have been set up just to provide jobs for people must be abolished and overstaffed organs must be streamlined. In reforming the government's noneconomic departments, it is necessary to stress the readjustment and redistribution of their functions, to rationally redefine their terms of reference, to reduce the overlapping of departments, to reorganize organs, and to improve their work style and operational mechanisms.

V. The Time and Conditions for Reforming Government Organs

The reform of organs has its procedures, must be carried out in a certain environment, and should be carried out at the most opportune moment. The overall situation [da huan jing [1129 3883 1064]] should be such that it is dominated by the extensive development of the political structural reform. It is first necessary to separate the party and the government, to solve the problem of the lack of distinction between the party and the government and the displacement of the government by the party, to regard the reform of organs as part of the political structural reform, and to carry it out in the course of the political structural reform. It was suggested at the 13th CPC National Congress that the State Council formulate plans for reforming the central government's organs, that these plans be implemented after the Seventh NPC, and that local government organs be reformed from top to bottom afterwards. This is a positive and sound idea.

The reform of organs is closely related to the thoroughness of the political structural reform. The separation of the government and enterprises requires the enterprises to pay more attention to the market. Thus, it is necessary to expand the market and to introduce certain market conditions, and, in particular, to gradually establish a

capital goods market and a money market. At the same time, it is also necessary to promptly carry out the reform of organs and not wait until the completion of the economic structural reform and the establishment of the markets. It is necessary to deepen the economic structural reform through the reform of organs. As a result of the economic structural reform over the past few years and, in particular, the reform of the enterprise system, there are now some favorable conditions for the reform of organs. If we take this golden opportunity to initiate our reform of the investment system and goods and materials supply system and take some bold steps, government departments, particularly specialized departments, can free themselves from such routine matters as the distribution of investment, goods, and materials and conditions will become basically ripe for the reform of organs.

The rational reorganization and reassignment of their personnel is an important condition for reforming the organs as well as a major difficult problem concerning our reforms. Thus, it is necessary to properly reorganize staffs and make proper arrangements for them in the course of the reform of organs. It is necessary to closely combine the reorganization of staff with training and to facilitate the smooth transfer of some of the organs' staff members to those government departments that should be reinforced and to economic, political, and cultural organizations, in order to ensure that work will not be interrupted and to avoid causing shock waves among the cadres. Regarding this, Weifang, Dandong, Anyang, Baoji, and some other medium-size cities have gained experience in the reform of organs by executing pilot projects and we can learn from them. Apart from making personnel arrangements in the course of the reform of organs, another important thing is, in line with the reform of organs, to reform the current cadre and personnel system. In his report, Comrade Zhao Ziyang pointed out the need to establish a public service system. This means an important change in the country's personnel system. By drawing up an array of functions to be performed by civil servants and by establishing the civil service's responsibility system, examinations system, recruitment system, assessment system, promotion system, rewards and penalties system, training system, and retirement system, we can make our personnel system scientific and highly formalized, select our civil servants strictly, distinguish between the competent and the incompetent according to their performance, improve the organization of staff, and help talented young people rise to prominence.

We can ensure that our reform of organs will be successful and that its results will be properly consolidated by devoting further efforts to basing administrative management on the legal system and by overcoming subjectivism and arbitrariness. It is necessary to introduce mechanisms for controlling government organs and the organization of their personnel, to improve the law concerning the organization of administrative organs, to

formulate a law concerning the organization of administrative organs, and to control the hierarchy of organs and the organization of their personnel by means of laws and budgets. It is necessary to establish state administrative and budget control organs. They are to centralize [jizhong 7162 0022] and strengthen the functions now being performed by the relevant departments, undertake to study the division and rational redistribution of government functions, smooth out the relationship between organs and their internal relationship, control the size of staffs, the personnel organization, and the array of functions of government organs through administrative legislation and budgetary controls, and reform and reorganize organs. It is necessary to establish an administrative responsibility system, to improve the quality of the work of the staffs of administrative organs at all levels, to raise their efficiency, to formulate a series of administrative regulations, to ensure that administrative organs and their staffs will always act in accordance with law, and to thoroughly investigate all cases of violation of discipline.

The reform of organs is a complicated task. Closely related to the political structural reform and the economic structural reform, it should be carried out in line with their development. Reforms must be based on the actual circumstances. On the one hand, we should proceed in a steadfast manner. On the other, however, we should be cautious and work in a methodical manner. We believe that so long as we make an effort to strengthen leadership and coordinate things under unified command, the reform of organs will definitely produce the desired results.

Reform: A Historical Requirement for Improving and Developing Socialism

*HK170915 Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 17-20*

[Article by Li Jiange [2621 0494 7041]]

[Text] Fully 9 years have passed since China's economic structural reform was begun by the 3d Plenary Session of the 11th CPC Central Committee and carried out in an overall way from the countryside to cities. In the last 9 years of reform, we have had tremendous successes on all fronts of economic construction which have attracted international attention. In addition, major breakthroughs have also been made in the study of reform theories. Our understanding of the nature of economic structural reform has undergone a gradual deepening process.

Economic structural reform in socialist countries is a creative undertaking not previously experienced from time immemorial down to the present day. It will naturally be accompanied with the joy of success and hardships in exploration and errors in some aspects of endeavor and temporary twists and turns will be difficult to avoid completely. Reform is an extremely profound social change and will inevitably bring profound changes

in society, both in rural and urban areas, inevitably batter down the existing order and concepts of values, and inevitably generate a redistribution of interests between different strata and groups in society. Economic structural reform, always closely related to economic development, will energetically accelerate the process of China's modernization. Through reform and development, we want to accomplish in the next several decades the industrialization and the commercialization, socialization, and modernization of production a process that took several hundred years to achieve under capitalism. Hence, all sorts of contradictions and conflicts will emerge therefrom. Therefore, in the whole process of reform, particularly when reform is confronted with difficulties as well as twists and turns, some of our comrades cannot help having doubts and misgivings and reform cannot avoid accusations of one kind or another. This being the case, it is very important to make a scientific exposition of the nature of reform. Based on the theory that we are in the initial stage of socialism, the report to the 13th CPC National Congress expounded the socialist nature of reform in a comprehensive and profound way. This is of great significance in unifying the whole party's understanding, uniting the entire people, dispelling doubts and misgivings, and in accelerating and deepening the reform.

Thirty-eight years ago, we built a republic based on the people's democratic dictatorship, thus ending the century-old history of our people's misery in a semicolonial and semifeudal society. The people of all nationalities in our country have since become real masters of their country. Immediately after that, we established a socialist basic system on the soil of China and abolished the system of exploitation characterized by "wealth is accumulated in one pole and poverty in another pole," thus tremendously freeing the productive forces. Under the leadership of the CPC, through years of hard struggle, the Chinese people have set up an independent and fairly comprehensive industrial base and economic system and made successes that could not be achieved in old China, laying the indispensable material foundation for building China into a powerful and prosperous modern socialist country with a high level of democracy and civilization. However, in the last 20 years or more before the 3d Plenary Session of the 11th CPC Central Committee, socialism has not performed as well as envisaged by the founders of Marxism, nor yet created productive forces higher than those created by capitalism. The living standards of the people have stagnated for a long time and feeding and clothing 1 billion people has always been a worrying, outstanding, and difficult problem. Apart from historical, political, ideological, and noneconomic factors and international elements, in economic terms, one important reason for this state of affairs is that we were too impatient for quick results and pursued policies leaning to the "left." Hence, in the economic structure there formed a rigid, highly centralized, planned economic pattern incongruous with the requirements of a developing society's production forces. After the smashing of the "gang of four," through a profound

rethinking, people have come to realize that winning victory in the revolution and establishing a socialist basic system are not enough to ensure the smooth realization of China's modernization and that the healthy development of the national economy also depends on an economic structure capable of bringing the vitality of the socialist system into full play and on a set of development strategies designed to ensure the sustained and stable growth of the national economy. It is precisely on the basis of this understanding that the 3d Plenary Session of the 11th CPC Central Committee put forth the great, historic task of reforming the economic structure.

Reform is aimed at establishing a dynamic socialist economic structure. Theory and practice have proved that this structure has to be a planned commodity economy. The full development of a commodity economy is an indispensable stage in the economic growth of society and a prerequisite for our economic modernization. Only when market mechanisms are applied, a commodity economy fully developed, and extensive and rational competition encouraged can the national economy be truly invigorated under the guidance of the state plan, enterprises be prompted to raise their efficiency, to carry out flexible operations and to promptly adapt themselves to complex and changing social demands. Only thus can every member of society be inspired to work hard, exert himself to make progress, and create more wealth for society. All this cannot be achieved by relying only on administrative means and mandatory planning. Therefore, we should thoroughly reform all aspects of the old economic structure, getting rid of the old to make way for the new.

First, we should allow and appropriately encourage the coexistence and development of some sectors of the economy that are not under public ownership and some distribution forms other than distribution according to work and refrain from unrealistically seeking "absolutely perfect" socialism and pursuing the formula of the higher the level, the larger the scale of socialist ownership, the better, and that of the more perfect the form of socialist distribution, the better. We are now still in the initial stage of socialism. Overall, our productive forces are still very backward. To accelerate the development of the productive forces at the present stage, it is necessary to develop an economy of different types of ownership and to allow the existence and development of privately run enterprises. In this connection, it is also necessary to adopt different methods of management and different forms of distribution. It is obvious that the private sector of the economy is a sector in which hired labor is used; and Sino-foreign joint-venture enterprises, cooperative enterprises and wholly foreign-owned enterprises have some elements of the capitalist relations of production or the capitalist relation of production themselves. However, under socialism, they are bound up with public ownership which remains predominant, and illuminated by the "rays" of the economy based on public ownership, they will have some special attributes and social effects.

Practice has proved that the simultaneous development of diverse economic sectors promotes production, boosts taxes, stimulates the market, provides employment, helps import technology, and helps in many ways to better satisfy the people's needs in various aspects of life. The individual and private sectors of the economy are a necessary and useful supplement to the public sector.

Second, we should extensively use the various effective measures that have appeared in the wake of socialist large-scale production and of the development of a commodity economy. We should not put capitalist labels on and discard some measures just because they have been used under capitalism. For example, expanded markets for capital goods, funds, technology, and labor service and the issuance of bonds and stocks can be used by both capitalism and socialism. Using these measures and economic forms, capitalism has created tremendous productive forces never seen before. We are also completely in a position to use them to better serve socialism. Of course, while giving full play to their positive role, attention should also be paid to minimizing their negative effects.

Third, we should promptly revise and discard some of our past practices which are no longer suited to the development of the current situation but we should not stick to the old practices as the essential attributes of socialism just because we used them in the past or simply because they have played a certain positive role for quite some time in the past. Some of our past practices were followed in order to speed up the establishment of an industrial base under the conditions that existed at home and abroad in the early days of the PRC and others had been handed down from the years of revolutionary war. They were not fixed practices that were necessitated by the socialist system. Now the situation is very different. These practices should be reformed, otherwise they will hinder the expansion of the productive forces. For example, the practices of directly assigning too many mandatory targets to enterprises, of introducing a system of state monopoly of purchase and marketing, and of allocating and distributing materials without compensation are no longer suited to the huge scale of production and to many and varied consumer demands at present. We must reform them without the slightest hesitation. Conservative thinking and ideas of inertia are all very harmful.

Without a doubt, all the reforms we have carried out are aimed at improving and perfecting as well as better consolidating and developing our country's socialist system. The two basic points—adherence to the general principle of reform and opening to the outside world and adherence to the four cardinal principles—are mutually pervasive and interdependent. They are united in the practice of building socialism with Chinese characteristics, centering on the pivotal point of economic construction. The fundamental task of socialist society is to develop the productive forces. We must firmly believe that all things conducive to the development of the

productive forces conform to the fundamental interests of the people. This is a simple truth required by socialism. To adhere to socialism, we must shake off poverty and to shake off poverty, we must reform. In the course of reform, we are bound to discard some specific utopian judgments drawn by our predecessors due to historical conditions, to do away with the dogmatic interpretations of Marxism and erroneous views attached to it, and bound to develop scientific socialist theory to a new height in the light of new practice. We should not allow rich practice to yield to fixed concepts and ossified thinking.

We must not only adhere to the orientation of the reform, but also accelerate it. The central task set forth by the 13th Party Congress is to accelerate and deepen the reform. Not long ago, Comrade Deng Xiaoping emphatically pointed out: It is necessary to speed up and intensify the reform on the basis of summing up experience. He said: "The principles, policies, and steps for the economic structural reform have been decided. The point at present is to speed up the reform."

Now the socialist system is facing a grave global challenge. To gain the initiative and establish ourselves in an unassailable position in such a challenge, the only way out is to carry out overall reform. At present, reform has become the universal demand and practical action of many socialist countries and formed a powerful historical trend. Some socialist countries which earlier introduced reforms are continuing to adopt new reform measures through rethinking and summing up historical experiences, both positive and negative. Their reforms have thus entered a new and higher stage. Reform is developing fairly rapidly in some socialist countries which have just recently begun reform. We started our reforms only after summing up others' experiences. Therefore, it is entirely possible and necessary for us to avoid detours and to take greater strides in making reform. Currently quite a few socialist countries are speeding up their reforms which are spreading from the economic to political, cultural, and other fields. We must have an adequate appraisal of this situation and on no account must we let slip a golden opportunity.

Meanwhile, the developed industrial countries are revitalizing their economies by taking advantage of a new scientific and technological revolution. Many developing countries are advancing by leaps and bounds with their modernization programs. The per capita gross national products of some developing countries and regions in Asia which were close to those of our country in the early 1960s had generally reached or surpassed the \$410 level in the 1970s and thus they ranked as members of moderate income countries as classified by the World Bank. By the mid-1980s, the per capita GNP of these developing countries and regions had separately reached \$900 to \$6,000. Of course, these countries and regions have in general a small territory and population and some of them have special historical and geographical

conditions for their development. However, international competition is fierce and inexorable. Long-standing backwardness will lead us to passivity. There have been drastic changes in the world economic situation over the last few years, with the existing fairly superior layout shifting rapidly. A new round of rich-poor polarization is gradually expanding—in particular, superfluous international idle money in large quantities is seeking places for investment. This provides the world community with a great opportunity and a grave challenge. Many developing countries are carrying out economic reforms and making policy readjustments to strive for a new economic takeoff with a new attitude. If we fail to seize this opportunity, the status of our country's relative strength in the world will drop and the conditions for our foreign trade worsen. It will be very difficult for us to meet the needs of imports in large quantities and maintain a basic balance of international payments. If so, even though our average absolute per capita income rises considerably, its relative level will become far lower than those of Asia and the world and the current place of China's average per capita GNP in the world calculated according to the current value of the U.S. dollar could drop and the gap between China and the developed countries in this respect widen. If this situation occurs, not only our socialist system but also our country and nation will be confronted with a grave challenge. Therefore, adhering to and accelerating the reform is a matter of fundamental importance to upholding the socialist system and rejuvenating the Chinese nation.

As the initial result of the reform, we have doubted the GNP of 1980 and basically solved the problem of feeding and clothing the people. This is the first step of the strategic plan for China's economic construction adopted since the 3d Plenary Session of the 11th CPC Central Committee. The second step is to double it again by the end of this century, thus enabling the people to lead a fairly comfortable life. In our effort to achieve the second step objective, we shall find both many favorable factors and quite a few difficulties and contradictions. The crux of all contradictions is poor economic results. China's large population, relatively small per capita possession of resources, and serious fund shortages are unfavorable factors hindering our modernization. Under these circumstances, if we carry out construction by relying on the traditional inefficient structure, China's modernization is doomed to failure. The three important problems designated to be solved in implementing the strategy of steady growth and coordinated development with emphasis on economic results and improvement of quality, in the final analysis, can all be solved by relying on the accelerated and deepened economic structural reform. The key to giving first priority to the expansion of scientific, technological, and cultural undertakings so as to push forward economic development through advances in science and technology and improved quality of the work force lies in the formation of a new mechanism so that enterprises and individuals will understand the value of science and technology and have

an internal driving force for pursuing technological progress and improving the quality of laborers. To maintain a rough balance between total demand and total supply in society and rationally readjust and reform the structure of production, obviously, we should reform and perfect the macroeconomic management system, define correct policies on production, harmonize market parameters, and achieve optimal distribution of resources. The objective of opening wider to the outside world and constantly expanding economic and technological exchange and cooperation with other countries can be achieved only by relying on the reform of the foreign trade structure and reforms in other fields related to foreign trade.

Accelerating the reform is also the task set forth by the reform itself. At present, China's economic restructuring is going through a stage when a new structure is being substituted for the old one. Breakthroughs have been made in many aspects of the existing structure. Hence, to a certain extent, it can no longer work as well as usual. However, although some elements of a new structure have partially emerged, the new structure has not yet been established as a system and therefore, many reforms already in place should be further coordinated, consolidated, and developed. Such being the case, there will certainly be some loopholes in many links of the national economy and moreover, different links of the national economy are more often than not disconnected. This situation in which old and new structures are deadlocked, one antagonizing the other in the whole economy leads to many frictions and conflicts and makes the economic structure difficult to perform its functions as it should. The current phenomena in which both new and old structures function simultaneously can be an unstable transition process of short duration and cannot possibly have any stable and coordinated operational mechanisms. We are now facing a grim historical choice: either to regress to the single mandatory planning structure or to move forward to a planned commodity economic structure. To stop or to drag the intermediate-state structure which operates amid frictions and conflicts for a longer time will lead us nowhere and objectively, it is impossible to do so. Since there is no way to backtrack, and we are duty-bound not to turn back, we can only accelerate the reform and set up the basic framework of the new structure as quickly as possible.

Conducting and deepening the reform of the economic structure will inevitably set a more and more pressing demand on the reform of the political structure. The process of developing the socialist commodity economy must simultaneously be the process of building socialist democracy. Without the cooperation of political restructuring and without a socialist political system with a high degree of democracy and a complete set of laws, a system that is effective and full of vitality, the economic structural reform cannot possibly end in success and a new socialist commodity economic structure will be impossible to achieve. The 13th Party Congress has correctly seized the opportunity and put political restructuring on

the agenda of the whole party. This indicates that China's 9-year-old reform has entered a new historic stage with more tremendous momentum. As the reform of the political structure develops, it is bound to vigorously promote the acceleration and deepening of the reform of the economic structure. We firmly believe that under the guidance of the correct line of the 13th Party Congress, China's reform will win greater victories as it moves on at an accelerated pace.

Make Literature and Art Thrive in the Course of Accelerating and Deepening Reforms

*HK111420 Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 21-23*

[Article by Wang Meng [3769 5556]]

[Text] The central task set by the 13th Party Congress is to accelerate and deepen reforms. As pointed out by Comrade Zhao Ziyang's report, carrying out reforms is the only way to rejuvenate China; it conforms to the will of the people and the general trend of events. Similarly, the only way to invigorate and develop literature and art in China is to carry out reforms. Reforms are where the socialist cause lies and where the hope of literature and art workers lies. Historical experience has convinced literature and art workers that they must share weal and woe with the state and reforms.

The process of reforms is one of practice and understanding. Without the practice of reforms, it would have been impossible to work out the theory on the initial stage of socialism. Being able to work out the theory on the initial stage of socialism and to draw up the party's basic line for this initial stage indicates that we have a more conscious and mature understanding of our national conditions and socialist cause. Thus, for literature and art workers, participating in reforms is not merely the only way to collect material, gain experience in life, and create works on reforms, but is also the only way to acquire a better understanding of our national conditions, history, life, and ideals, the fate of our predecessors, and the whole world, as well as our mission. In the course of reforms, we have come into contact with different lifestyles, production forms, and circulation methods; we have seen different political, economic, and cultural phenomena; and we have discovered all types of combinations, contradictions, changes, and developments. Different types of people have put on different performances, such as straight plays, tragedies, comedies, and farces; some have written heroic epics. All types of ideologies and concepts are tested in the course of reforms; some have been enriched and others have been eliminated. All types of cultural activities, ideas, wishes, feelings, and desires have become very lively in the course of reforms; some are contradictory and others are merging. Virtuous people and specters in history have been taken as examples of reform, and foreign experts, both genuine and self-styled, have been invited to China's reform arena. Even the most private and secret part of life, including love and family affairs, is

also affected by and bears the imprint of reforms. Reforms are like a big sea and a deep well; reforms are like an experimental ground and a classroom. A country with an ancient civilization of several thousand years is sending forth its splendor in the course of reforms. How can we not devote ourselves to reforms and the cause of building socialism with Chinese characteristics?

Devoting oneself to reforms is different from just talking about or imagining reform. We have made great achievements in using literature and art works to reflect reforms. Literature and art works describing reforms are welcomed by the masses, although some of them are far from perfect. Not all works can meet the tastes of readers. This is not because our writers have written too few books on reforms but because their works bear the imprint of their understanding, which cannot fully portray the great, profound, rich, and arduous nature of reforms. Some works have put too much emphasis on the concept of reform, asserting that reforms will bump against the wall even at one conceptual mistake and that everything will go off without a hitch once a correct concept is acquired. This will lead to oversimplification of reforms. Film and television audiences are not interested in the debates over reform ideas on the screen. Some works portray reforms in two extreme manners: One is describing reformers as saviors concerned about the country and people and the other is describing those who do not agree to reforms as people who cherish the outmoded, preserve the outworn, do evil, and are bent on protecting the "benefit they have obtained." The latter reminds us of the "capitalist roaders" "created" during the "gang of four" period. Placing undue stress on concepts, oversimplifying reforms, and describing reforms in two extreme manners are all practices that do not conform to actual reforms and life. If some people are dissatisfied with works that do not properly portray reforms or that portray reforms in a similar manner, does this not remind us that we should devote more efforts to reforms?

Portraying, exploring, explaining, propagating, and encouraging reforms is important to literature and art. However, we should not think that the purpose of participating in reforms is to write about reforms or that only works on reforms are beneficial to reforms. If we think so, we will be traversing the beaten track. It is precisely due to the development of the social productive forces, to progress in reforms and opening up to the world, to the formation of the political situation of stability and unity, to the improvement of the people's livelihood, and to the enhancement of their cultural level that the people's spiritual needs have become diversified. An important feature of cultural life is this: The more stable cultural life is, the more diversification is required; the more diversified cultural life is, the more beneficial to stability and prosperity it will be. Literature and art creation in a single manner cannot last long, no matter what measures are introduced, including authoritative ones, because it does not conform to the law governing literature and art or to what the people think.

Now, a hundred flowers are blossoming, a hundred schools of thought are contending, and liveliness and prosperity are beginning to appear in literature and art. This is an outcome of progress in reforms and gives expression to success in reforms. A rigid management system will lead to 10,000 horses standing mute. The situation in literature and reflects the mental state of the nation; prosperity in literature and art will, in return, bring about liveliness in the mental state of the nation. Comrade Zhao Ziyang's report to the 13th Congress points out: "Reforms and opening up to the world have also further emancipated the minds of the people, battering down many old concepts that have long stifled their thinking. It is becoming a trend for people to seek changes, to blaze new trails, and to stress practical results." How well he put it! For literature and art workers, how encouraging it is!

It can be said that seeking changes, blazing new trails, and stressing practical results represent our spiritual era. This should be expressed in all literature and art works as well as embodied in the mental state of literature and art workers. Although writers have different subject matter, different methods of expression, and different writing styles, can they not portray this spirit one way or another? If they cannot, but instead devote their efforts to creating other types of spirit, how can they help bring about genuine emancipation of the minds of the people?

The emancipation of the social productive forces is promoting the emancipation of the people's minds. The emancipation of the people's minds is a spiritual guarantee for the emancipation of the social productive forces. The emancipation of the social productive forces and the people's minds is the basic condition for the emancipation of the productive forces in literature and art. We believe that the convening of the 13th Party Congress will provide better conditions for literature and art.

The party's basic line is guiding the process of reforms. This basic line is applicable to work in various fields, including literature and art work, of course. Literature and art workers can have a correct orientation and achieve unity in literature and art work only when they seriously study the theory on the initial stage of socialism and the party's basic line and have an overall and accurate understanding of the question concerning one center and two basic points.

Debates over literature and art work have also occurred, although development on an unprecedented scale has been witnessed since the 3d Plenary Session of the 11th CPC Central Committee. Some comrades favor taking a cautious attitude; others insist on blazing more new trails. This is not bad. Welcoming and tolerating dissenting views is in itself a type of reform and opening up. What a pity that there are still many negative factors causing disunity in literature and art circles, such as old grudges, sectarianism, and contention for fame and

"powers," which have all led to complications of relationships and problems. Occasional improper measures have caused the gap between dissenting views to broaden. We now have "one center, two basic points" to go by. No one should stick to his own argument any longer. There is hope for a new situation of unity and progress to emerge.

Major shortcomings in leadership methods and organizational forms in the economic and political structures can also be found in the leadership system of literature and art organizations. Literature and art workers should not merely comment on reforms in the industrial, agricultural, commercial, and administrative fields to the neglect of reform of their own structures and operational mechanism. The practice of everybody eating from the same big pot and having an iron rice bowl, overstaffed administration, and overconcentration of powers also exist in some literature and art troupes and organizations (including associations for creation and arts performing troupes). If these structures are not reformed, they will not conform with the development of the socialist commodity economy. Instead, they will lose their vitality and characteristics, ruin the party's reputation, and even hamper the development of the productive forces in literature and art. This problem is very urgent and should be put on the agenda. It is completely possible for us to discuss and formulate a blueprint for structural reform in literature and art according to the general policy for economic and political structural reforms laid down by the 13th Party Congress.

As everyone is aware, the 13th Party Congress political report does not and need not specifically explain the problem of literature and art. However, the main points clarified by the 13th Congress on speeding up and deepening reforms also have major bearings on guiding literature and art work. So long as we seriously study the 13th Congress document and use its basic theory, policy, principle, and idea to resolve problems in literature and art work, it is not difficult for us to find a solution to the long-debated issues in literature and art circles and we will certainly be able to bring about prosperity in literature and art, to form better unity in the literature and art contingent, and to make new and better achievements in spiritual civilization. Let us share our common efforts.

A Special Publication: 'Fifty Years of the All-China Journalists Association'
40050105m Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 p 23

[Book notice by Li Gengchen [2621 1649 6591]]

[Text] The 50th anniversary of the founding of the All-China Journalists Association was celebrated 8 November 1987. To commemorate this significant day for press circles and to record the process of development in the last 50 years, a special pictorial album "Fifty Years of the All-China Journalists Association" was

edited and published by the All-China Journalists Association. Comrade Deng Xiaoping provided calligraphy for the title of the special publication. Comrade Zhao Ziyang wrote a dedication in which he highly appraised the All-China Journalists Association and the vast numbers of journalists for their contribution to our country's revolution and construction. He further pointed out the direction for developing a socialist press with Chinese characteristics and also placed high hopes in the All-China Journalists Association and the broad number of journalists. Comrades Chen Yun, Li Xiannian, Peng Zhen, Deng Yingchao, Xu Xiangqian, Nie Rongzhen, Bo Yibo, Xi Zhongxun, Hu Qiaomu, and Lu Dingyi wrote dedications or congratulatory messages.

The predecessor of the All-China Journalists Association, the China Youth Journalists Association, was established on 8 November 1937 with the direct concern and attention of the party Central Committee and Comrade Zhou Enlai. Its major responsible person was Fan Changjiang [5400 7022 3068]. After the founding of the PRC, the major leaders of the All-China Journalists Association included Hu Qiaomu, Deng Tuo [6772 2148], and Wu Lengxi [0702 0397 6007]. The All-China Journalists Association carried on the fine traditions of the China Youth Journalists Association and played a positive role in socialist revolution and construction. Now it has developed to where it has over 140 group members with a total membership of over 400,000 persons, and both in China and abroad it is known as a national mass organization of high prestige.

In the special publication "Fifty Years of the All-China Journalists Association," there are photographs of the older-generation revolutionaries such as Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De, Deng Xiaoping, and Chen Yun together with journalists, as well as important dedications and guidance for the journalists. In this special publication, both the text and illustrations are excellent, the contents are rich and the printing is of fine quality. There are collected together over 200 photographs of journalist activities both in China and abroad, some of which are being published for the first time; as well as over 100,000 characters of descriptive text. It is a valuable historical work which has value both as a keepsake and as a reference book.

Zhang Tailei's Contributions Toward Building the Revolutionary United Front
40050105f Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 24-27

[Article by Ding Zeqin [0002 0463 0530]]

[Text] The date 12 December this year marks the 60th anniversary of the heroic sacrifice of the proletarian revolutionary Zhang Tailei in the Guangzhou Uprising.

Comrade Zhang Tailei was one of the first members of the CPC, a noted social activist who disseminated Marxism in the early days of our party, as well as the founder

of the Chinese Socialist Youth League. At the crucial turning point of the great revolution, he was an important party leader as well as the principal organizer and leader of the Guangzhou Uprising. He was only 29 when he laid down his life.

He had written large numbers of articles during his brilliant but short life. Most of these articles, which publicized Marxism-Leninism and the party's principles and policies and recorded his thoughts and accomplishments, were included in the "Collected Works of Zhang Taili" (People's Publishing House, 1981). His writings were valuable documents for the study of history since the founding of the CPC, particularly since the first revolutionary civil war and the Guangzhou Uprising. The chapter on the revolutionary united front is particularly rich in content. The following is a brief introduction.

I

In the spring of 1921, Zhang Taili went to the Soviet Union for the first time. There, he worked in the China Section of the Far East Secretariat of the Communist International. Between June and July that year, he attended the Third Congress of the Communist International and, as a member of the special committee on nationalities and the colonial question, drafted the "Outline to the Third Congress of the Communist International on the Colonial Question." In the "Outline," he analyzed with his clear-cut class viewpoint the interrelationship between various forces within the oppressed nations of the Orient. These forces were: "Feudal forces which incline toward the counterrevolutionaries and collaborate with the imperialists; the petit bourgeoisie and the millions of oppressed peasants who can expect to win final victory in the bourgeois democratic revolution and its agrarian reform; and, last but not least, the young national bourgeoisie who are both 'afraid' of the Bolshevik revolution and its 'extremity' and 'afraid' of the even stronger oppression by and competition from imperialist capital." Here, he scientifically summed up the basic class composition of the major oppressed nations of the Orient and pointed out the dual nature of the national bourgeoisie. He also outlined the following task for communists in colonial and semicolonial countries of the Orient: "Do not cast away the independence of your program and organization. You must keep abreast of the national revolutionary movements in various countries, win over the masses who take part in these movements from under the leadership of the national bourgeoisie, and try as far as possible to force the bourgeoisie to temporarily follow the revolutionary movement and at the same time take part in the struggle under the slogans of 'Down with imperialism' and 'Long live the nationalities.' When necessary, they are to be expelled from the movement." ("The Young Communist International and the Youth Movement in China," China Youth Publishing House, pp 620, 621) From this passage, we can see that he positively advocated that communists in colonial and semicolonial countries of the Orient should

adopt the strategy and tactics of the national united front by forming a "temporary" alliance with the national bourgeoisie while engaging them in the struggle for revolutionary leadership in the course of the national revolution. We can say that the "Outline" embodied his early concept of the revolutionary united front.

On the last day of the Third Congress of the Communist International, Zhang Taili delivered a short speech in which he analyzed the various classes and strata in China. He pointed out: "There the young students have already stood up to resist the old social system, but many of them are lingering at crossroads. We should therefore go and help them and lead them toward communism. We should guide these forces onto the correct track so that they would not fall victims to anarchist or reformist ideas. Chinese workers are also beginning to wake up after the surge of the proletarian revolution. At present, strikes are taking place one after another in various parts of China. We should use our bright red flags to protect these young sprouts and should not let them turn sallow." ("The Young Communist International and the Youth Movement in China," p 49) He also talked about the question of winning over the lumpen-proletariat in China.

After the Third Congress of the Communist International, Zhang Taili took part in the work of preparing for the convocation of the Far East People's Congress. He was adamantly opposed to the "leftist" idea that proletarian revolutionary organizations alone could take part in the Far East People's Congress. In his letter to the Far East Secretariat of the Communist International, he said: "We have already written to the (CPC) Central Committee and asked all proletarian and national revolutionary organizations in China to send delegates to this congress. We have noted in particular the Kuomintang in southern China." ("The Young Communist International and the Youth Movement in China," p 623)

After returning from the Soviet Union in August 1921, Zhang Taili, as assistant and translator to Ma Lin [7456 2651], representative of the Communist International, became heavily involved in the selection of delegates to the Far East Congress. Afterwards, he and Ma Lin met Dr Sun Yat-sen on many occasions in an effort to bring about an alliance between the Soviet Union and Dr Sun and to form a revolutionary united front between the Kuomintang and the CPC. He and Comrade Li Dazhao were among the first group of people who joined the Kuomintang as individuals to help reorganize the Kuomintang. He also attended the Third CPC National Congress and played an important role in bringing about the first Kuomintang-CPC cooperation.

II

After the establishment of the revolutionary united front, Zhang Taili wrote many articles directed at specific targets. In these articles, he expounded on the party's united front proposal and waged a relentless

struggle against the conspiracy of the new and old elements of the Kuomintang to split the united front and usurp revolutionary leadership.

During the period between the emergence of the Dai Jitao Doctrine and the Xishan [Western Hills] Meeting Faction and the outbreak of the S.S. *Zhongshan* Incident, Zhang Tailei's writings all centered around the question of revolutionary leadership. In "Paris Commune Memorial Day," he pointed out, from the perspective of the history of the international communist movement and in the light of the actual state of the nationalist revolution in China, that the bourgeoisie probably would compromise and betray the country, and explained why "the proletariat is the leader of the national revolution." ("Collected Works of Zhang Tailei"; all subsequent quotes are taken from this collection) In "In Commemoration of Dr Sun Yat-sen," he emphasized that the crux of the Sun Yat-sen Doctrine was revolution and profoundly expounded on Dr Sun's three major policies after the reorganization of the Kuomintang. He said: The success of China's nationalist revolution depends on the strength of the masses, on a disciplined party and on the joint efforts of the oppressed peoples the world over. That was why Dr Sun resolutely decided to adopt the policy of championing the cause of the peasants and workers even though it was opposed by his aides. These articles dealt a powerful counterblow to the conspiracy of the Kuomintang rightists to split the united front.

One day before the S.S. *Zhongshan* Incident, Zhang Tailei published an article entitled "The Danger of a Guangdong Revolution Still Exists" in RENMIN ZHOUKAN [PEOPLE'S WEEKLY] under his editorship. In this article, he delivered this warning: "Who knows how many conspiracies and intrigues one will find once the curtain is lifted. We are seeing it before us again. Comrades, beware!" After the incident, he lost no time publishing another article, entitled "Curfew on 20 March," in which he lashed out at the incident, saying that it had aroused the suspicion of the ordinary people of Guangdong, disheartened the revolutionaries and gladdened the imperialists and all counterrevolutionaries. Not long after the passing of the "Party Consolidation Bill" by the Second Plenary Session of the Second Kuomintang Central Committee, which was under the control of Chiang Kai-shek, a distressed Zhang Tailei said: "Never before had the Guangdong revolutionary base been in as dangerous a situation as it is in today since the establishment of the nationalist government." "In the past the masses in Guangdong were united, now they are divided. There used to be splits, but never any major conflicts; now there are major conflicts." He asked pointedly: Why has this happened? What is the cause? To these questions, he curtly answered: "Obviously this is the work of those ousted and not yet ousted reactionaries." This was in effect a censure and exposure of Chiang Kai-shek without actually mentioning his name.

In order to thoroughly expose Chiang Kai-shek's conspiracy to exclude and attack the CPC and usurp revolutionary leadership, Zhang Tailei published another

article, entitled, "Do We Want the Kuomintang or Not?" In this article, he eloquently demonstrated that there must be a political party capable of leading the nationalist revolution if we want to win in the nationalist revolution. Before its reorganization, most of the members of the Kuomintang were people who got their power and money either with party backing or by selling out their party. The Kuomintang must be reorganized into a union of revolutionaries before it can truly become the party that leads the nationalist revolution. "It was with this in mind that Dr Sun Yat-sen resolved to extend his welcome to communist elements." "However, this resolution of Dr Sun's to build up the party was opposed by reactionaries within the party right from the start." "They opposed communist elements because the latter are important components of this revolutionary union and have made great efforts to consolidate and develop this revolutionary union." He profoundly pointed out that the contents of the "Party Consolidation Bill" were in fact the terms put forward at the Xishan Meeting, which the revolutionaries strongly opposed, and the revolutionaries had made their concession accepting these terms. "If communist elements withdrew from the party after being attacked, some of the revolutionary elements within the Kuomintang would be the first to come under fire for 'shielding' the communists or for having communist inclinations. After these revolutionary elements have stepped down, party members with some revolutionary knowledge would be elbowed out." "By that time, the Kuomintang will not be in a position to lead the nationalist revolution." He said in no uncertain terms: "We cannot shout 'Long live the Kuomintang' while watching it being destroyed!"

This article, which hit the vulnerable spot of the neo-rightists of the Kuomintang headed by Chiang Kai-shek, produced a great impact on the masses. On 28 June 1926, Chiang Kai-shek in his "admonition" to the cadets at the Huangpu Academy, sternly criticized Zhang Tailei for "creating resentment between the two parties" and undermining the relations between the two parties. Zhang Tailei immediately hit back in an article published in RENMIN ZHOUKAN. He justly and forcefully pointed out that communist elements and leftists who truly believed in the Sun Yat-sen Doctrine formed the mainstay of the revolutionary Kuomintang. "As a result of the union of communist elements with the leftists in the Kuomintang, revolutionary policies have found a strong backing and the leftist forces have become increasingly stronger. We can rightly say that communist elements have been a contributing factor in the growing strength of leftist forces in the Kuomintang in recent years." He emphatically pointed out: "The question of attacking the communist elements is a question of the Kuomintang itself, a question of reducing the leftist forces in the Kuomintang, as well as a question of the revolutionary policies of the Kuomintang." "The question of communist elements is a question of policy, not a question of organization; it is a question of who holds power within the party—the leftists or the rightists, not a question of the number of party members." In saying

this, he pointed an accusing finger at the purpose and truth of Chiang Kai-shek's attack against the CPC.

III

An important aspect of Zhang Tailei's concept of the revolutionary united front is his exposition and guidance on the workers and peasants' movement and youth movement. He had written profusely on the significance and lessons learned from the Paris Commune, the February 7 Strike, the May 30 Movement and the Guangzhou-Hong Kong General Strike, in which he charted the course for the workers' movement in China. He said: The workers' movement in China reached its height after the European War. The strength and revolutionary spirit of the workers were demonstrated in the 1922 Seamen's Strike, and the 1923 Beijing-Hankou Railroad Workers' Strike, as well as in other economic and political struggles waged by the working class. The revolution should base itself on workers and peasants who account for the majority of the population in China. They not only form the majority, but are the most oppressed peoples, and for them revolution is the only way out. In an article entitled "The Significance of February 7," he said: The February 7 Movement indicated for the first time that the proletariat is in a position to lead China's national movement and that the working class has shouldered the major responsibility for China's national movement. When summing up the historical experience of the May 30 Movement, he highly appraised this role of the working class, noting that the working class has won its leading position because of its organizational power and its thoroughgoing revolutionary spirit. We should mention in particular that Zhang Tailei had taken part in leading the Guangzhou-Hong Kong General Strike, drafted many of the documents and resolutions of the strike committee, and published a good number of articles on guidance in the strike and on the Sino-British negotiations.

Zhang Tailei attached great importance to the question of the peasantry and showed great concern for the peasants' movement in China. He believed that a Chinese nationalist revolution without the participation of the peasantry is doomed to failure. If the working class does not have an ally in its struggle against imperialism, it will be fighting a lone battle and is bound to fail. "The proletariat must, without interruption, adopt correct policies to ensure that the merchant-petty bourgeoisie stay within the united front for as long as possible. More importantly, it must have a permanent ally in order to complete the nationalist revolution. This permanent ally is the peasantry, which is just as poor and just as oppressed as the workers." He also time and again explained in great depth: "The pain and oppression suffered by the peasants gave them a thoroughgoing revolutionary spirit and made them suitable to be a permanent ally of the working class. It is only with the massive participation of the peasants that the nationalist revolutionary movement will develop into a great force

capable of resisting the powerful enemy." "If the agrarian question in China is not resolved at this point in time, in other words, if the peasants are not liberated, China's nationalist revolution will not succeed." Here, he pointed out that the question of the peasantry is a social problem in the whole of China as well as a fundamental problem that must be solved in the nationalist revolution. When the Northern Expedition began, Zhang Tailei published a series of terse but short articles in RENMIN ZHOUKAN. These articles, including "Please Save the Hundreds of Thousands of Peasants in Guangning," "How We Are Treating the Peasants in Huaxian County," and "The Army Advances To Suppress the Local Bandits in Huaxian County," warmly eulogized the revolutionary role of peasant associations and sharply criticized the criminal deeds of the Kuomintang rightists in tolerating and encouraging the local bandits and civil corps to destroy the peasant associations. He angrily pointed out that the general headquarters of Chiang Kai-shek was the behind-the-scenes boss of the reactionary forces that attacked the peasant associations, and that it was a person named "Wu" [0124] who prevented the army from suppressing the bandits at the order of Commander in Chief Chiang Kai-shek and sat by and watched the revolutionary forces being wiped out by counterrevolutionary forces.

Zhang Tailei had also written many outstanding pieces in which he pointed out the way for the youth movement and the building of the youth league. He pointed out that young people have played a vanguard role in China's revolutionary cause since the establishment of the Tong Meng Hui. At the same time, he made a thorough analysis of the characteristics of young students in China, saying that they have revolutionary ardor on the one hand and the tendency to waver on the other. He said: "Only by ridding the young people of all old concepts and superstitious ideas can we instill our doctrine into their heads and bring them under the revolutionary banner." He advocated publicizing Marxism-Leninism and the party's principles and policies among the young people, conducting thoroughgoing and painstaking ideological and educational work among them and helping them divorce themselves from all old and outmoded social concepts. He led the young people to take part in the nationalist revolutionary movement and actively guided them to take the road of integrating with the workers and peasants. In "The Chinese Socialist Youth League and Students in China," he pointed out: "If we want the students to be involved in a national movement, we must first of all let them have their own mass organizations," and "must pay attention to primary and secondary schools in the hinterland." He said that to carry out propaganda among the students, we must make use of all publications, seminars and lectures organized by student bodies besides the league publications. In the light of the experience gained by our party in launching the youth movement and the workers and peasants' movement since its founding, he zealously put forward

specific ways of helping the young people and students go among the peasants and workers to carry out propaganda and organizational work.

Comrade Zhang Tailei was resolute and steadfast by nature, amiable and easy of approach, and warm and sincere with people. He was totally dedicated to revolutionary work, and he was capable of arousing his audience with his words. What was particularly commendable was that he was able to handle things in an orderly manner under pressure. At the Fifth Party Congress, he was elected a member of the party's Central Committee. After the Fifth Congress he was appointed secretary of the Hubei Provincial CPC Committee. As a member of the five-man Standing Committee of the party at a critical moment of the great revolution, he played a part in deciding to stage the Autumn Harvest Uprising in the four provinces of Hunan, Hubei, Jiangxi, and Guangdong and in planning the Nanchang Uprising. He took part in preparing for and attended the party's August 7 Emergency Meeting, and was elected an alternate member of the Political Bureau. After the meeting, he was in charge of the party's South China Bureau and was appointed secretary of the Guangdong Provincial CPC Committee. At the critical juncture of the revolution, Comrade Zhang Tailei firmly believed in the party's cause and resolutely implemented the party's decisions. Defying hardships, he dedicated himself to the communist cause without insisting on the fulfillment of certain terms. This revolutionary spirit is worth the emulation and esteem of later generations. The many writings left behind by Comrade Zhang Tailei, which glittered with the radiance of Marxism-Leninism, are the guide and bugle for the revolutionary cause, the spear and dagger in the struggle against the enemy. When we read his articles which are beaming with revolutionary and militant spirit, we have a feeling that he is there talking to us. His writings, which are both touching and soul-stirring, give us encouragement, stimulation and useful lessons.

The Economic Contradictions Among the United States, Europe and Japan, and Trends of Their Development

40050105g Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 28-34

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[Text] In the 40 years since the war, due to the pattern of imbalance in capitalist development, changes have occurred in the balance of the economic strengths of the United States, Europe (Western Europe) and Japan. Following the decline of the economic position of the United States and the rise of the economic position of Europe and Japan, the economic contradictions between the United States, Europe and Japan have continually deepened. Particularly since the beginning of the 1980s, the contradictions between them have seen unprecedented exacerbation, and the economic contradictions between the United States and Japan have become particularly prominent.

Deepening of Economic Contradictions Among the United States, Europe and Japan in the 1980s

1. Growing trade imbalance among the United States, Europe and Japan.

The economic contradictions among the United States, Europe and Japan are collectively manifested in trade imbalance. During the 1950s and 1960s, the United States enjoyed a favorable trade balance. However, in 1971 it incurred a \$2 billion trade deficit, marking the first such deficit since 1888. Subsequent to this, in all years except 1973 and 1975, deficits occurred and the amount of deficit continued to rise. In 1986, the deficit reached \$156.2 billion. In the reverse situation, Japan's trade surplus began to grow swiftly in 1983 and by 1986 had reached \$92.7 billion.

The United States' trade deficit with Japan in the first half of the 1970s was only \$2 billion, but by 1986 this had reached \$58.6 billion. The U.S. trade deficit with Japan had always been about 30-40 percent of the total deficit and in 1986 it constituted 37.5 percent. In order to avoid exacerbating the U.S.-Japan trade friction, Japan adopted outflanking tactics by carrying out assembly of exported components in South Korea, Taiwan and Hong Kong and then exporting the finished products to the United States. From this, Hong Kong, Taiwan and South Korea had huge surpluses with the United States (in 1986 these totaled about \$30 billion) and huge deficits with Japan. It can thus be seen that quite a proportion of their trade surplus with the United States was actually a mutant variety of Japan's trade surplus with the United States. If this proportion grows further, the U.S. trade deficit with Japan will actually come to constitute half of the United States' total deficit.

Prior to 1982, the United States' balance of trade with Western Europe always had a surplus. However, after 1983 this changed into a deficit, and the amount of the deficit has continued to grow. In 1986 this reached \$32.3 billion.

Since the beginning of the 1980s, the size of Western Europe's trade deficit with Japan has continued to grow. It had been maintained at over \$10 billion, but in 1986 it surged to \$16.7 billion and it is estimated that it will increase even more in 1987.

From this we can see that the situation of imbalance which has occurred in the 1980s, where the United States has large deficits with Europe and Japan, Western Europe has large deficits with Japan and Japan enjoys huge surpluses with the United States and Europe, has caused the economic contradictions among the United States, Europe and Japan to be intensified to the most serious situation since the war.

2. The intensification of the economic contradictions between the United States and Japan.

Along with the growing trade deficit between the United States and Japan, the economic contradictions between them have also increased continually. Since the war, the following four peaks have occurred in U.S.-Japan trade friction:

(1) The first peak (1965-1972): In U.S.-Japan trade, the change from a U.S. surplus to a Japanese surplus began and trade friction occurred in respect of Japan's exports, mainly fiber products, to the United States. The U.S. Government took measures to restrict the import of Japanese fiber products.

(2) The second peak (1977-1979): This was centered on the dramatic rise in Japan's exports of steel and color televisions to the United States. The United States adopted measures to restrict the import of these two products.

(3) The third peak (1980-1984): This was centered on small cars. In 1980, Japanese cars accounted for 19.8 percent of the United States' car market. In May 1981, Japan began to implement voluntary restrictions on exports to the United States. At the same time, many Japanese car companies successively established companies in the United States and adopted the strategy of manufacturing and selling cars in the United States. This alleviated the contradiction for a time. At this time intense trade friction occurred successively in the high-technology industries such as semiconductors, digital control machine tools, communications equipment, supercomputers and so on. Concurrently, other contradictions occurred in the financial and other sectors.

(4) The fourth peak (1985 to the present): The high-technology industries' trade friction continues to exacerbate; it has gone beyond the economic arena and developed into a military and political problem. Ten types of U.S. high-technology industries including machine tools, semiconductors, communications equipment, supercomputers, and aircraft had a \$26.7 billion trade surplus in 1975, but turned into a deficit in 1986. This shows that the U.S. high-technology industries which have all along held a superior position are now losing it, causing the United States to sense a serious crisis. In the past, economic contradictions between Japan and the United States have been alleviated through economic talks, voluntary restrictions on exports and so on. However, in recent years, the United States has unexpectedly adopted sanction measures and, giving security protection as the reason, has exerted pressure on Japan through administrative measures: 1) After the semiconductor trade friction had continued for several years, in September 1986 the U.S. and Japanese Governments signed an agreement on semiconductors. However, only half a year later the U.S. President, stating that Japanese enterprises had not respected the agreement, announced on 17 April 1987 that beginning from that day electronic products exported to the United States would be subject to a 100 percent punitive tariff (the total amount of tax was \$300 million). 2) On 17 February 1987, the Fujitsu Electronics

Corporation of Japan was forced, under pressure from the U.S. Defense Department (the United States was concerned that the U.S. semiconductor industry, which is extremely important for military computers, would come under Japanese control), to abandon its decision to purchase 80 percent of the shares of Fairchild Semiconductor Company. 3) In August 1987, the United States criticized a subsidiary of Toshiba Corporation of Japan for violating a stipulation of the Coordinating Committee for Export Control, which placed an embargo on socialist countries, by selling a high-technology digital-control machine tool to the Soviet Union, enabling the performance of the Soviet Union's nuclear submarines to be greatly enhanced and "reducing by half" the United States' capacity to monitor the Soviet Union's nuclear submarines. This forced Japan to revise, as quickly as possible, the "Foreign Exchange and Foreign Trade Management Law" to restrict Japanese enterprises from developing economic relationships with socialist countries. 4) The United States required that the next-stage support fighter (FSX) of the Japanese air defense forces be jointly produced by the United States and Japan. Japan made concessions on this and expressed its agreement.

3. The economic contradictions among Europe and Japan and the United States and Europe.

Since the beginning of the 1980s, trade balance between the EEC and Japan has seen successive deficits of \$10 billion-plus. The growth in trade deficit in 1986 was particularly large and Western Europe's trade protectionism against Japan was strengthened. The economic contradictions between Europe and Japan are mainly manifested as:

(1) Western Europe has criticized the semiconductor agreement, holding that this violates the General Agreement on Tariffs and Trade and requested that the United States and Japan annul it quickly. It also warned Japan that if it tries to send the cheap semiconductors which it cannot sell in the United States because of the agreement to Western Europe, they will be levied with a 100 percent tariff.

(2) The financial friction between Europe and Japan has intensified. The Japanese negotiable securities corporations and banks have, with huge fund backing, greatly expanded borrowing and other business on the London financial market and other markets in Western Europe. However, the Japanese financial market is quite closed to foreign financial institutions. The established financial countries in Western Europe such as Great Britain, Switzerland and the FRG have, on the principle of reciprocity, requested Japan to further open its financial markets.

(3) Japan has established factories in Western Europe in order to escape the dumping tariffs. Since the beginning of the 1980s, the countries of Western Europe have recognized that the basic cause of their deficits with

Japan is their declining competitiveness. In order to improve competitiveness, they have welcomed Japanese capital in joint enterprises. However, the majority of the enterprises run by Japan in Western Europe are assembly plants for video-recorders, electronic typewriters, photocopiers, electronic ovens and other electronic products, established to avoid dumping tariffs. The majority of the components for these are imported from Japan. This not only does not assist Western Europe improve its trade deficit and improve the competitiveness of domestic industry, but actually constitutes a serious attack on similar industries within their countries.

Since the beginning of the 1980s, the United States' trade surplus with Western Europe has changed into a deficit and the size of the deficit has grown continually. The economic friction between the United States and Europe is mainly reflected in steel products, agricultural products and high technology products.

(1) Steel products friction: The United States has developed as a major market for Western European steel. In 1982, the United States and Europe held talks on the question of voluntarily restricting exports and signed an agreement on this. In 1985, the U.S. steel industry's rate of utilization of capacity fell below 50 percent and under pressure from steel operators, the U.S. Government unilaterally declared that annual imports of EEC semi-finished steel products would be limited to 400 million tons. In reprisal, the EEC adopted the measure of cutting back fertilizer imports from the United States.

(2) Agricultural product friction: The common agricultural policies of the EEC have been in implementation for over 20 years. The agricultural exports of member countries of the EEC are either subsidized or subject to tax in accordance with the price differential between domestic prices and world prices. As for agricultural products from non-EEC member countries, if they are priced lower than the EEC market prices, they are subject to a price differential tax. The EEC's agricultural self-sufficiency rate has already reached 108 percent and it has become a major agricultural exporter. The United States has traditionally been a grain-exporting country and for a period after the war, half of the U.S. agricultural products were sent to countries of Western Europe. This proportion has now fallen to 25 percent. Further, the traditional markets for U.S. agricultural products in North Africa and the Middle East have been eroded by the EEC. In the last few years, there has been a great surplus of agricultural products and there has been a subsidy war between the United States and the EEC in terms of wheat exports to the Soviet Union. In 1986, U.S. agricultural subsidies reached \$25.8 billion, an increase of over five times the figure for 1980. The EEC subsidy expenditure reached \$25.4 billion, a 100 percent increase over 1980. The trade friction between the United States and Europe is growing more intense.

(3) High-technology products: In the last few years, U.S.-European trade friction has developed in high technology products. The FRG and Switzerland have already instituted voluntary restrictions on machine tool exports to the United States. This year, the United States has attacked four Western European countries for jointly developing, under government subsidies, a large-scale "space bus" airliner, and has threatened that, if they do not discontinue this, reprisal actions will be taken.

Countermeasures Taken by the United States, Europe and Japan

1. U.S. Countermeasures

Faced with challenges from Japan and Western Europe, the United States is taking various decisive measures in the following areas:

(1) Further Strengthening the Legal Basis for Adopting Retaliatory Measures. In order to counter the trade offensive by Japan and Western Europe as well as the newly-industrialized countries and regions of Asia, on 6 January 1987 the U.S. House of Representatives passed the "1987 Trade and International Economic Reform Bill" which contained measures for strengthening protectionism and economic reprisal. On 5 February the Senate passed the "1987 General Trade Bill" with similar provisions, and on 19 February the U.S. Government put forward the "1987 Trade, Employment and Productivity Bill." After consultation with many sides, the formal bill (that is, the General Trade Law) was declared to have been passed. Thus, when the time comes, the legal basis for the adoption of retaliatory measures by the United States will be greatly strengthened.

(2) Adoption of Various Measures To Strengthen International Competitiveness. A presidential commission on competitiveness back in January 1985 presented the Yangge [phonetic] report which was aimed at increasing international competitiveness. However, at that time, it was not paid much attention. Due to the fact that more than a year of depreciation in the U.S. dollar did not improve the United States' balance of trade, people have gained a new understanding of the importance of strengthening competitiveness. On 2 January 1987, President Reagan in his State of the Union Message spoke of his ideas for strengthening competitiveness and proposed six measures: strengthening intellectual investment so as to strengthen the fostering of skilled persons; developing science and technology so as to promote the use of high technology and advanced science in enterprises; strengthening enterprise secrecy laws and intellectual property protection; relaxing restrictions and developing the role of nongovernmental enterprises; improving the United States' international environment; and reducing the financial deficit.

(3) Maintaining the Current Low Exchange Rates in the United States. A major reason for the growth in U.S. trade deficit and the decline in its international competitiveness is that from 1981 to 1985 there were high exchange rates for the U.S. dollar. In the autumn of 1985, the United States finally changed its laissez-faire attitude on exchange rates. In September of the same year, it called a meeting of the finance ministers of five countries. They determined that the United States, Europe and Japan would together intervene in the foreign exchange market to correct the situation of high exchange rates for the U.S. dollar. Subsequent to this, the U.S. dollar saw a continuous fall in value. The value of the U.S. dollar in terms of the Japanese yen and the West German mark is now 40 percent below what it was in September 1985, and its exchange rates remain low.

(4) Shifting From Domestic Markets to International Markets. Since the war, the United States has been the world's most economically powerful country. However, the domestic market is huge and the position of exports in the national economy has not been sufficiently high. The U.S. Government and enterprises have already recognized the importance of increasing exports and are paying attention to developing foreign markets.

(5) Continually Applying Pressure to Make Japan Further Open its Domestic Markets. Japan is a newly developed advanced capitalist country. For quite a long period after the war, because it could not match the competitiveness of the United States and Europe, it adopted trade protectionist measures. This resulted in it being difficult for the industrial and agricultural products of the United States and Europe to enter the Japanese market. Therefore, the United States has applied pressure from all angles to force Japan to further open its domestic market. The adoption of economic sanction measures and the formulation of the general trade law have been mainly intended to get Japan to further open its domestic market.

(6) Freeing the Agricultural Trade Market through New Rounds. As Europe and Japan have adopted protectionist policies in agriculture and the United States has adopted economic sanction measures against the Soviet Union, such as the ban on grain exports, the position of the United States in the agricultural product market has declined. Further, in 1986 the huge agricultural product subsidies in the United States became a serious financial burden. Thus, in September 1987, the U.S. Government put forward a plan for new rounds of agriculture talks. The provisions were that member countries of the General Agreement on Tariffs and Trade get together and at the end of 1988 sign a multilateral agreement, and then gradually abolish agricultural subsidies and subsidies for agricultural product exports as well as the barriers against the import of agricultural products. Then in 10 years' time, the question of completely freeing trade in agricultural products could be jointly discussed.

(7) Strengthening Administrative Intervention so as to Prevent Important Sectors Falling into the Hands of Other Countries. In the last few years, Japan with its great fund reserves has been purchasing a large number of U.S. high-technology enterprises, financial institutions and real estate. Thus in future there could be a threat to the U.S. economic lifeblood. Therefore relevant departments of the United States have begun to adopt administrative intervention measures to limit particular economic transactions. Apart from the U.S. Government engaging in administrative intervention to prevent the Fujitsu Electronics Corporation of Japan from purchasing the U.S. Fairchild company, other restrictions have been imposed on Japan in the financial field.

(8) Reducing Financial Deficit. In order to resolve the huge financial deficits which the country has seen for many years (in 1987, the financial deficit was \$148 billion and in 1988 it is estimated it will grow to \$170-180 billion), the U.S. Congress has passed a financial budget balancing law, which requires that the government achieve a financial balance by 1993. Some U.S. economists have stressed that U.S. consumers should tighten their belts, reduce consumption and increase savings.

(9) Organizing a North American Economic Group Against Japan and Europe. The economic relationship between the United States and Canada is extremely close, and in 1986 their import-export trade reached \$130 billion. To counter the Japanese and the European offensive, the United States started negotiations with Canada on the question of a free trade zone. In October 1987 an agreement was reached and the "Package Free Trade Accord" was signed. The accord stipulated that: 1) tariffs would be reduced on both sides in stages and eliminated in 10 years; 2) nontariff barriers would be eliminated; and 3) a special body would be established to handle trade disputes. In this way, the FRG, the United Kingdom, France and Italy will have the EEC, the United States and Canada will have the North American Common Market and, of the seven major advanced capitalist countries, only Japan will be on its own.

2. Japan's Countermeasures

Japan has been having a surplus trade balance for many years; it is enjoying huge surpluses with the United States, Western Europe, ASEAN and the "four little dragons" of Asia. Thus it is becoming increasingly isolated in the international arena. Japan must reconsider the policies it has adopted in the past. In April 1986, the Japanese Government approved the Maekawa report, which collectively reflected the strategic changes in Japan's economic policies. Japan's countermeasures are:

(1) Changing the Industrial Structure and Establishing a New International Division of Work. The Japanese Government has decided to gradually phase out those

traditional industries in which they have lost their relative superiority, and transfer them to developing countries. Meanwhile, Japan will emphasize the development of those high-technology products with high additional value, so as to gradually establish a new international division of work.

(2) Transferring Production Bases to Other Countries to Achieve a Global Enterprise Operation. In the future, Japanese enterprises are going to develop further in other countries, increase direct investment in other countries and implement global enterprise operations. They will change their former policy of producing in Japan for sale abroad to one of producing and selling. This has been reflected in the dramatic growth in Japan's direct investment abroad. In 1986, the amount directly invested abroad by Japanese companies totaled \$22.32 billion, an 87.7 percent increase over the 1985 figure of \$12.22 billion. To avoid having a "hollowing" domestically from moving production bases abroad, Japanese economists have proposed the "software/hardware division of work." That is, designing and other highly intellectual work would stay in Japan, while the production of the products would be shifted abroad.

(3) Guiding Enterprises to Implement Internationally-Coordinated Operations. To moderate economic contradictions with Europe and the United States, the Japanese Ministry of International Trade and Industry in October 1986 set up a conference on the prospects for the mechanical and information industries to specially study how to resolve the problem of trade friction in six products: video-recorders, cars, communications equipment, semiconductors, machine tools and photocopiers. In August 1987, it put forward its study report. This report said that Japanese enterprises must change their former operational method of expanding their market share, and adopt an operational method of stressing income. At the same time it stressed that they must practice internationally-coordinated operations. That is, when exporting it is necessary to consider the supply-demand relationship in the world and the continued existence of enterprises in the country of the trading partner. Thus the Ministry of Trade and Industry decided that in the future the government would strengthen its guidance by supplying enterprises with information they need and readjusting investment.

(4) Gradually Opening Up Domestic Markets and Encouraging Increased Import of Manufactured Goods. For a long time, Japan followed the policy of developing export production and strictly limited the import of finished products. Over the last few years, the Japanese Government has been gradually opening the domestic market and urged Japanese citizens to buy more imported goods. It has also adopted various measures to encourage the import of manufactured products. Over the past year and more, the growth rate of imports by Japan has greatly exceeded the growth rate of its exports and the proportion of manufactured products in total

imports has been increasing continually. It has grown from 20.4 percent in 1975 to 41.8 percent in 1986 and will approach 50 percent in 1987

(5) Strengthening Basic Scientific Research to Attain Leading Position in Science and Technology. Japan has already caught with or surpassed Europe and the United States in technology and is in the strongest position in economic competition. However, its basic scientific research lags behind that of Europe and the United States. Thus, on the one hand Japan has put forward the "Systematic Plan for Researching New International Fields," "Plan for Scientific Research Into New Humanity Fields," "Plan for Scientific and Technical Research Into New Geoscience Fields," and the "Ten-Year Plan for Uncovering the Mechanisms of the Human Brain," and on the other hand, in order to promote the development of creative technologies and to reform the scientific research system, it is setting up a scientific research structure involving officials, civilians, and scholars.

(6) Promoting a "New Marshall Plan" and Increasing External Economic Aid. Japan's huge international surplus has resulted in intense dissatisfaction abroad and it is also not beneficial to Japan's economic development. In order to get Japan's excess funds to flow back to the various parts of the world, the Japanese Government announced in December 1986 that \$10 billion would be fed back to developing countries, and in May 1987 at the meeting of the heads of government of seven countries, it announced that a further \$20 billion would be fed back to them. This action by Japan was well received by the various countries of the world, including Europe and the United States, and it helped to moderate economic contradictions between Japan, and Europe and the United States.

3. Western Europe's Countermeasures

(1) Requiring Japan to Open its Markets. For the last few years, in response to the Japanese trade offensive, Western Europe allowed Japan to voluntarily restrict its exports. However this did not achieve the desired restriction by Japan. Western Europe then adopted the policy of positive attack on the Japanese market. In July 1987 Western Europe put forward to Japan many demands for opening up, in preparation for concrete negotiations at the ministers conference to be held in December 1987.

(2) Implementing the "Eureka" Plan to Basically Strengthen Their Competitiveness. Western Europe lags behind the United States in technology. In 1985, in order to catch up with the United States and in response to the U.S. star wars plan, Western Europe put forward the Eureka (joint high-technology research by Western Europe) plan. In 1987, it decided to add 58 research projects in areas such as lasers, biological engineering, transport technology, robotics and so on, while the focal point was placed on commercialization and application so as to increase their competitiveness. Further, in

September 1987, the EEC Research Development Council passed the major program for the scientific and technical development 5-Year (1987-1991) Plan, with a total budget of 5.39 billion European Currency Units.

(3) Applying Dumping taxes on Imported Components. To counter the situation where Japan had only established assembly factories in Europe and the majority of parts were imported from Japan, the meeting of EEC foreign ministers in June 1987 decided that if foreign-funded enterprises (mainly referring to Japanese enterprises) purchased less than 40 percent of the components of their products locally, the imported components would be subject to a dumping tax equivalent to that levied on the imported finished product.

(4) Gradually Reducing Agricultural Product Price Subsidies. In 1986, the total expenditure of the EEC was 35 billion European Currency Units, of which 22.1 billion (or 63 percent) was used for EEC agricultural policies. The huge agricultural expenditure meant that it would be difficult for the EEC to take bigger steps on a unified road. For this reason, at the ministers conference held in May 1987, the EEC agreed in principle to take measures to reduce agricultural protection and to implement market mechanism. However, there are still internal differences.

(5) Preparing to Take Reprisal Measures When Necessary. In the economic competition among the United States, Japan and Europe, Europe is superior to the United States but inferior to Japan, but it inferior to both in high technology and advanced science. Thus, on the one hand it opposes trade protectionism while on the other it wants to adopt protectionist measures. However, in the end, it must tend toward trade protection. Thus in the past Western Europe often adopted reprisal measures to protect its own interests, and it will continue to do so in the future. For example, recently it has repeatedly threatened Japan saying that if Japan delays and does not open its markets, it will adopt tough measures against Japan by applying tariffs and Article 23 of the General Trade Agreement (violating the interests of member countries).

The Basic Background of Economic Contradictions Among the United States, Europe and Japan and Trend of Development

The causes of the exacerbation of economic contradictions among the United States, Europe and Japan in the 1980s can be analyzed from many angles. However, the most important are the following three factors:

1. Changes have occurred in the comparative economic strengths of the United States, Europe and Japan.

After the war the United States, in order to maintain its position as overlord, and as the East and the West stood opposed to each other, continued to bear a large expenditure for military affairs and foreign economic aid. This

resulted in its international balance of payments beginning to deteriorate in the latter part of the 1960s. Also, its position in the world economy began to decline. Meanwhile, from the end of the 1960s and in the beginning of the 1970s, the European and Japanese economies basically caught up with that of the United States and their economic power continually strengthened. The big increases in the U.S. international trade deficit and the Japanese surplus are reflections of this change. This was powerfully shown in 1985 when the United States changed from a net creditor nation to a net debtor nation and Japan became the largest net creditor nation. At the end of 1986, the net debts of the United States totaled \$263.6 billion and it was the biggest debtor in the world. This trend will develop further. It is estimated that by 1990, the United States' net debt will total \$700-800 billion. Japan's net credit amounted to \$180.5 billion in 1986 and it is estimated that it will reach \$400-500 in 1990.

2. The U.S., European and Japanese economies have entered a period of slow growth.

The beneficial conditions for the rapid growth of the Western economies in the 1950s and 1960s gradually dissipated and in the 1970s they entered a period of low growth marked by "stagflation." The rate of economic growth dropped by a half and unemployment grew steadily. Since the beginning of the 1980s although price increases have gradually slowed, there has been no change in the low growth situation. During the period of rapid growth, demand in the domestic market was quite strong, and even though there was international economic competition, there was no intense contradiction. However, during the period of extended low growth, in order to make up for the reduced market at home, the developed countries sought to expand their markets abroad. The result was intense economic contradictions.

3. Further Widening of Economic Gap Between North and South

In the 1950s and 60s, the United States provided Europe and Japan with technology and money. In the developed countries of the West, there appeared some cyclical changes that were beneficial to economic development. Along with this, the economies of some developing countries also enjoyed some development. However, in the 1970s the North-South antagonism grew. Beginning in the 1980s, the debts of many developing countries grew increasingly large and today they total over \$1,000 billion. Thus, the economic cycle between the North and the South has been greatly hindered. For example, U.S. exports to traditional South American markets are stagnant or are even falling. As growth in exports by developed countries to developing countries is slowing down, the competition between the developed countries is further intensifying.

Apart from the three factors mentioned above, the tendency of multipolarization in world politics is another important factor in the economic contradictions among the United States, Europe and Japan coming into the open. In the period just after the war, when there was intense antagonism between the East and the West, which stemmed from political and military considerations, Western Europe and Japan had to subordinate themselves to the United States in economic matters. However, along with changes in the world political and economic situation, Europe and Japan were increasingly able to shake off the political fetters. Thus, under the "free market" system, they were able to not only encroach into the United States' foreign markets, but also enter the U.S. domestic market.

Lenin held that the pattern of imbalance in capitalist development would result in the imperialist powers, in accordance with a new balance of forces, again carving up the world's markets, and that this would inevitably lead to a world war. However, today the times are different from those in which Lenin lived, and due to the internationalization of production and capital, the interdependent relationship between the various capitalist countries has deepened, the degree of dependence of all countries on external markets has grown greatly and it is not very likely that the economic contradictions among the United States, Europe and Japan will lead to a new war in order to again carve up the world.

There will be no substantive moderation in economic contradictions among the United States, Europe and Japan in the next 10 years. The reason is that this is still a transitional period in which a new international economic order is gradually being formed. However, the measures taken by the governments of the various countries and the various international coordination measures will gradually produce some results, and will play a certain role in moderating economic contradictions. Thus, economic contradictions among the United States, Europe and Japan will not intensify without limit, and there will be progress with contradictions alternating with coordination. In specific terms:

1. There will be both contradiction and coordination and the tripartite situation will be maintained. In today's multipolar world, there are socialist countries, there are awakening developing countries and there are also many medium-size and small developed capitalist countries. The new world order cannot be dictated by a few large capitalist countries. Rather it must be rationally arranged by all the countries of the world through consultations on an equal basis. However, for quite a long period in the future, the developed countries of the United States, Europe and Japan will, in their tripartite situation of contradiction and coordination, continue to play an important role in the economic development of the world.

2. The world market will have a tendency toward unity and a tendency toward regionality. In the free capitalist period, a unified world market was initially formed.

During the period of tyranny by the imperialist powers, the various big powers and their colonies and semicolonies formed local markets, and this resulted in the world market being carved up. After the war, because of the antagonism between East and West, although the Western countries formed a unified market, socialist countries were separated from capitalist countries. For now and in the future, because socialist countries are implementing the policies of developing commodity economies and opening up to the outside, there will gradually be formed a unified market which will be wider and more developed than at any time in the past. In another respect, in a situation where the economic contradictions among the United States, Europe and Japan are intensifying, Western Europe has strengthened its ties with Eastern Europe and the fact that the EEC and Comecon have started a dialogue is a portent; the United States and Canada have organized a common market and, in the future, it may expand to include the countries of Central and South America; while Japan is further strengthening economic cooperation with the Western Pacific region. The postwar regional markets are of an open type and they are different from the closed prewar markets. Thus if they are managed well, like the European common market, they will have the capacity to play a positive role in the development of the world economy.

3. There will be both trade protectionism and the carrying out of internationalization. If we are to resolve the difficulties faced by the world economy at present, then we must establish a new system of international division of work. To this end, the developed countries of the United States, Europe and Japan must change their industrial structure and transfer those industries in which they have already lost competitiveness to other countries. However, the readjustment of the industrial structure can bring with it many domestic contradictions and thus it will be necessary to adopt trade protectionist measures. This is the contradiction between internationalization on the economic level and national borders on the political level. In fact, every developed country has to consider its own national interests and thus trade protectionism will not disappear. However at the same time, internationalization is in the interest of all countries and must be given consideration. Thus, in the coming 10 years, there will be development through the contradiction between trade protectionism and the internationalization of economic life.

To sum up, the economic contradictions among the United States, Europe and Japan cannot be resolved smoothly for quite a long period to come and, in the future, new conflicts will continually emerge. However there will also be continual coordination and efforts to moderate contradictions. We must pay close attention to the effects which the development of contradictions between them has on the world economy and on our country's economy.

Only by Separating Party and Government Functions Will it Be Possible To Strengthen the Party's Leadership

40050105h Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 35-38

[Article by Wang Shufang [3769 2885 5364], secretary of Weifang City CPC Committee in Shandong Province; first paragraph is HONGQI introduction]

[Text] Starting with this issue, we shall publish for readers' reference a series of articles on the experiences of comrades engaging in practical and theoretical work on studying the report of the 13th CPC Congress.

The separation of party and government functions is a major reform of our party's system of leadership. After summing up our experiments conducted by the city over the past year and studying relevant expositions of the report made by Comrade Zhao Ziyang at the 13th CPC Congress, we have an in-depth feeling that the separation of party and government functions is the major trend, and to develop an in-depth development of reforms is both objectively necessary and inevitable.

Weifang City is an experimental spot of comprehensively reforming the economic structure. It began reforming the urban economic structure in 1984. In the wake of in-depth development of the economic structural reform, the contradictions of the political system have become more acute and prominent. For this reason, we began last year a research of reforming the political system which focused on the separation of party and government functions. Proceeding from the system, it mainly separated the party functions from the government ones and expressly stipulated that: the city CPC committee would mainly handle the implementation of principles and policies formulated by the CPC Central Committee and the upper level; would grasp its self-construction and political and ideological work; would coordinate various organizations in the city; would handle the management of chief cadres in the departments under the party committee, and would recommend leading cadres to governmental organs; would make decisions on matters of great importance to the city while matters concerning routine and administrative work would all be handled by the government. On the reorganization of structure, we abolished leading groups which did not separate party functions from government ones, as well as three city CPC committee's departments in charge of economic work, which duplicated the departments of the city government. We also abolished 21 special administrative bureaus (companies) of the city government, and established 10 comprehensive committees. Party committees and party groups are no longer set up in various committees. On the division of labor of leadership, except that one of the deputy secretaries is concurrently the mayor and that one of the standing committee members is concurrently the deputy mayor, the city CPC committee no longer has secretaries and standing committee members in charge of industry,

agriculture, science and technology, as well as culture and education. On determining the extent of various departments' functions, we have expressly stipulated that the city CPC committee will no longer directly supervise departments which are under the jurisdiction of the government. For example, the propaganda department will no longer directly lead the work of cultural and education departments. The discipline committee of the city will not directly investigate and handle cases about the violation of law and discipline, which are to be handled by the judicial and administrative departments. On the mode of leadership, we changed the past practice of directly making decisions on specific problems emerging in our economic work to that of making decisions on the direction of political development and major problems. We also replaced the practice of directly handling the administrative affairs with that of supervising the administrative work. We also changed the unified party and government work procedures to independent activities carried out by various systems. Our work over the past year and more has remarkably improved the mentality, efficiency and management skills of the city CPC committee's organs, thereby promoting reforms and the development of economic construction. Compared to the same period last year, the city achieved in January to November 1987, a growth of 29.2 percent in the gross industrial output value and 20.5 percent in the fiscal revenue, after experiencing a rapid development in the last year. It fulfilled 50 days ahead of schedule this year's tax revenue quota, and 40 days ahead of schedule this year's industrial production quota. After integrating with our study of the report made at the 13th CPC Congress, we have developed the following experience:

1. Only by separating party and government functions will it be possible to strengthen the party's leadership. Our modernizations require a systematic art of leadership and management skills. Under the present circumstances where the commodity economy is thriving, the development of opening to the outside becomes more extensive, and science and technology are rapidly developing, a local party committee must, in order to play its proper role, approach political issues from a high plane. This was impossible under the outdated system where there was no separation of party and government functions. Proceeding from the situation of Weifang city, the local CPC committee had six secretaries and deputy secretaries before reform. Each of these secretaries was responsible for a specific economic or administrative work so that they were always busy handling routine matters and it was difficult for them to conduct systematic research. Therefore, their decisions were inevitably one-sided and local ones. After it was changed from prefectural level to city level, however, the situation was changed. But there was still the phenomenon that the focal point of our work remains to be on matters concerning immediate and local interests and on specific matters, rather than on matters concerning long-term and national interests and on principles and policies. This thus affected the role of the party's leadership.

Things have improved now after the separation of party and government functions. The city CPC committee is freed from trivial and specific matters and can spend more time on conducting research at the grass roots. Therefore, it has a better idea about the situation of the city, and has done more solid work of great importance to the overall economic and social development. This year, the city CPC committee takes the following five tasks as its focal point. That is, it will further readjust the rural industrial structure and focus on the development of town and township enterprises, as well as animal husbandry; further perfect a two-tier operation system of integrating the operation of diversification with centralized operation in rural areas; grasp the work of development and utilization of mountainous areas in the north and beaches in the south, as well as strengthening the capital construction of agriculture; properly handle the relations among regions and departments, among departments and between departments and peasants in the course of replacing the old by the new, as well as promoting an in-depth development of rural reforms; and strengthen the construction of spiritual civilization. In connection with this, the city CPC committee has formulated the basic principles and policies. Both the city CPC committee and relevant departments under the city government adopted earnest measures for the implementation so that they have achieved better results. Both cadres and the masses expressed that these five tasks had been implemented well. We have learned from the practical work that the separation of party and government functions is favorable to the extensive and intensive study of the city CPC committee on major problems emerging in our modernizations. As we have placed the focal point on the correct issues, the proposals of the city CPC committee conform with the situation and people's wishes, thereby realizing the political leadership in a better way. After the separation of party and government functions, the capacity of party leadership is strengthened instead of being weakened. The roles of the party are boosted instead of becoming less important, and the prestige of the party among the people is increased instead of being decreased.

2. The separation of party and government functions is favorable to improving efficiency and overcoming bureaucratism. In the past, we had repeatedly overcome problems concerning bureaucratism. However, the work usually focused on the cause of problems concerning ideology and work style. The result was therefore not remarkable. Practice has shown that efficiency was low and work was seriously affected by bureaucratism, which was closely related to the outdated system in which the party functions were not separated from the government ones. A few years ago, we stressed the "unified" leadership by the party committee. Under this system, a piece of work was handled by the mayor in one aspect, and handled by the secretary in another. As both the party and government had a hand in the matter and they lacked both a clear-cut division of labor and the necessary work norms, the grass roots often had to go through procedures in government departments and then the

departments under the party committee in order to get instructions. If a matter was unsuitable for the mayor to make a decision, the mayor had to consult the party secretary. If the secretary thought that it was a matter of great importance, the matter was proposed to the standing committee for discussion. Thus, because of the complicated hierarchy and procedures, some long-standing problems, which could have been settled quickly by the government departments, were not yet tackled. As time went by, some workers of the government departments had their sense of responsibility weakened. They developed the mentality of depending on others and were often in the passive position of waiting for instructions from the party. Hence, their initiative was unable to play a proper role. This is also one of the major reasons that acts of bureaucratism such as being dilatory in handling matters and shirking one's responsibility were developed and grew like mushrooms.

The separation of party and government functions is favorable to putting an end to this situation. On the administrative work, the party committee should only handle matters of great importance and concerning the direction, principles and policies. The specific work should be handled by the administrative departments through their work systems and the party committee should not make any specific arrangement for or directly interfere in the work. Only thus can we mobilize and give play to the initiative of workers in the administrative system. Beginning last year, various departments of the city have established and perfected their systems of personal responsibility in connection with their functions, so that each cadre knows his duty and responsibility well. They will handle whenever they can issues proposed by the grass roots and will no longer be dilatory in handling matters. The efficiency will therefore be improved. In April 1987, the city CPC committee actively promoted the responsibility system of contracted operation among industrial enterprises in the city. In connection with their functions, relevant departments of the government carried out their specific organization. Within 3 months, the system was established in more than 95 percent of the city's budgetary state-owned industrial enterprises. Furthermore, various contract targets were rationally set so that the production and operation of these enterprises were remarkably improved, and both the development pace and economic results were improved. Facts have proved that the concern that "things cannot be done well without the decisions made by the party" is utterly unjustified. On the contrary, our practice has put an end to the situation where the party directly gives instructions to various government departments on their specific actions. Consequently, the flexibility of various government departments is mobilized, and things are quickly handled in a better way. The party committee is therefore freed from the routine and administrative work, truly making itself an element of the force fighting against bureaucratism.

3. Only by separating party and government functions will it be possible to put the party in a position of authority from where it can handle contradictions and

master the overall situation, thereby giving play to the leading role of "coordinating various sectors." In order to handle well the relations among various major departments, the city has, after the separation of party and government functions, successively established a system of meetings for the principal leaders of the city CPC committee, the city people's congress, the city government, the city CPPCC and the city disciplinary committee; a system of official meetings for the secretary generals of the city CPC committee, the city people's congress, the city government and the city CPPCC; and a system of joint meetings between the people's congress and the government, courts and procuratorate. Through these periodic meetings, they are able to exchange views and promptly solve problems whenever they develop. In particular, it was only recently that this area was changed from a prefecture to a city and we set up the people's congress. Some comrades of the government departments were not familiar with the connections with the people's congress. For this reason, the city CPC committee actively did well in the coordination work through its party organizations on both sides. On the one hand, it educated the party members and cadres of the people's congress to support the work of the government and not to directly interfere in the routine work of the government except for matters of great importance over which they should supervise according to laws. On the other, it educated the party members and cadres of the government to act according to laws and to voluntarily submit themselves to the supervision of the people's congress. The city CPC committee also played an exemplary role of observing the Constitution and laws. It called on the party organizations at all levels and all party members to take the lead in executing the resolutions of the people's congress, thereby promoting better coordination among various major departments and ensuring a smooth progress in the implementation of laws and various types of work.

We have learned that to coordinate the activities of various local organizations is an important duty to be reckoned with by the local party committees. Though we have established at present people's congresses and CPPCC organizations at various levels, the functions of various departments are not clearly distinguished and cadres do not have a unanimous concept about the legal system and democracy because of the imperfect democratic legal mechanism. Therefore, it is inevitable that conflicts are developed when various organizations perform their functions. If the party committee is directly responsible for the work of the organs of state power, the administrative organs, the judicial organs and other social organizations, it would become one of the parties involved, thereby making it difficult for it to coordinate the relations and solve contradictions. Only by separating party and government functions will it be possible to put the party in an aloof position and to give play to the leading role of "coordinating various sectors."

4. Only by separating party and government functions will it be possible to strengthen the party's construction. Over the years, the issue concerning party style has long

been a major one to which we have paid close attention. Though we have worked hard in this respect, we have not fundamentally put an end to this situation. One of the reasons for this is that the long-standing, outdated system of combining the party and government functions and substituting the party for the government made it difficult for the party committee to spend ample time and efforts on building the party's ideology, organization and work style. After the separation of party and government functions, however, the city CPC committee is freed from handling specific matters so that it can thoroughly conduct research and seriously handle the building of the party. Ideologically, by integrating reforms with the economic construction, we have repeatedly organized training classes and lectures for party members and cadres. We have systematically educated the party members in "one center, two basic points," as well as in party spirit, party style and party discipline. It organized throughout the city such activities as debate on "how will a Communist Party member play an exemplary role in the new period?" and campaigns of "I do credit to the party flag" and "I suggest ways and means for reforms." The sense of responsibility and carrying out the mission among the cadres, particularly the party member-cadres at various levels, is strengthened. Their psychological tolerance of reforms is also improved, thereby laying an ideological foundation for smoothly implementing the party's line, principles and policies in the city.

On organization, we emphasized the introduction of competition mechanism to the ranks of cadres, and took the actual work results as the major criterion for promotion, appointment, giving rewards and punishment so that only those incompetent ones will be eliminated. Organs directly under the city CPC committee and city government adopted the democratic assessment system for cadres. Some institutions and departments in charge of economic management conducted in experiment spots the system of recruiting cadres through examination and the system of hiring leading cadres. Some enterprises implemented on a trial basis the system of recruiting leading cadres through public channels. Since the structural reform was started, we have promoted a number of cadres who meet the requirements for the modernizations and are bold in making innovations, while demoting 23 incompetent cadres at office level, thereby improving the quality of the cadre rank.

On the party style, we have straightened out the work style, overcome the bureaucratism and improved the efficiency of organs by integrating the separation of party and government functions with the change of functions between the economic work departments. The city CPC committee often went to the grass roots, divided up the work and assigned a part to each level. On the one hand, it solicited opinions and suggestions on its work and, on the other, it kept abreast of the situation of overcoming acts of bureaucratism while promptly settling problems whenever they developed. Integrating reforms in this respect with our experience in studying the report made

at the 13th CPC Congress, we have a profound feeling that the separation of party and government functions may structurally serve as a guarantee for strengthening the construction of the party. The separation of party and government functions has changed the situation where the work of the party becomes more administrative in nature. Only this separation will help party committees spend more efforts on the self-construction of party organizations, and strengthen its education for and supervision over party member-cadres. Only when these party member-cadres assume office under effective supervision conditions will they boost their capability to fight against the corrosion of various types of decadent ideology.

To some party member-cadres engaging in the work of leadership, this means a great change, no matter whether in terms of thinking or in terms of the mode of leadership and work style. In connection with this change, many comrades will experience a process of gradually getting a profound knowledge and gradually adapting themselves to their work. How can we help people quickly adapt themselves to this change? And how can we achieve in a balanced and smooth manner the separation of party and government functions? Our experience in this area is:

First, we should strengthen our education and propagate the advantages of separation of party and government functions. We should educate the party members, particularly party member-cadres, in promptly getting rid of the outdated concepts from their mind and dispelling their worries. Recently, we found that some comrades did not have a clear idea about the meaning of upholding the party leadership. They held that to uphold the party leadership, we should have the party organizations governing everything. They felt lost and embarrassed about separating party and government functions, and readjusting the party organizations. Some even one-sidedly held that this would weaken the party's leadership, as well as the ideological and political work. They therefore did not act voluntarily and actively in matters concerning the separation of party and government functions. Some even adopted the attitude of passive resistance. Therefore, in order to do well in the separation of party and government functions, we must take the ideological and political work as the lead. Through propaganda and education, we should help the party member-cadres understand clearly the historical tasks they are shouldering, as well as the requirements for the party, in the new period. We should draw distinctions between the practice of strengthening the party's leadership and that of having the party committees governing everything. We should clearly understand that the major leadership of the party is the political leadership, and that the practice of strengthening the party's leadership is consistent with that of supporting the organs of state power and that of allowing these organs to exercise their administrative functions, so that we can enhance our political awareness and initiative of separating the party and government functions.

Second, during our reforms, we must be bold in our work and actively probe various good and practical forms and methods of separating the party functions from government ones, and correctly handle various relations concerning the separation of party and government functions. We hold that the separation of party and government functions is not a mechanical split. This is because politics is the consolidated manifestation of economics. While the superstructure provides services to the economic base, modernizations are the central task of our party at the early stage of socialism. If the party committees simply spend all their efforts on political work and the government simply spends all its efforts on economic work, it will inevitably develop "two different sectors" which is impractical in our work. Moreover, though we have separated at present the party's major functions from those of the government, there are still some "gray areas" in the specific work which is difficult to be separated. There also develop problems and contradictory issues. Therefore, we shall develop troubles and the situation of wrangling, as well as undermining the work, if we mechanically separate their functions.

Third, we should pay attention to the coordinated work relating to reforms at city, county and district levels. After the separation of party and government functions, the party organizations of some enterprises and institutions will, in the wake of their abolition in government departments, be subject to the leadership of the local party committees. Some social functions which were originally undertaken by enterprises will also be subject to the administration of the local government. Therefore, we must implement a series of extensive work relating to reforms so that the party and government functions will be smoothly separated.

Fourth, we should carry out the ideological and political work among workers whose work will be subject to readjustment in our reforms. We should grasp well their professional training and make appropriate arrangements for them. Also, we should provide a favorable working environment and conditions for them so that every one of them can show their talents. Only thus shall we surmount difficulties which emerge in our reforms and will the separation of party and government functions be implemented in a harmonic environment.

**Tenth Lecture of the Forum on Socialist
Commodity Economy: How To Deal With Profits
Derived by the Socialist Economy**
40050105i Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 pp 39-41

[Article by Yu Mingren [0205 2494 0088]]

[Text] **I. What Are Profits in a Socialist Economy**

Profits are closely related to a commodity economy marked with production socialization. It is necessary to calculate the amount of consumption and results in the

course of producing commodities. Essentially, consumption means labor consumption, which is divided into two parts. One is the consumption of indirect labor, that is the consumption of the means of production such as the consumption of machinery, plant, cotton yarn and electricity for producing cotton cloth. The means of production are the results of labor done in the past and are to be used in the process of production. Part of all of them are to be consumed in such process so that the indirect labor, that is value, they embody will correspondingly transfer to the newly produced cotton cloth. The other is the consumption of living labor, that is the consumption of labor made by weavers and auxiliary staff members. Their labor creates new value which becomes part of the value of the newly produced commodity, that is, cotton cloth.

The new value created by laborers is also divided into two parts. One is directly distributed to individual laborers in the form of wages for their consumption, while the other one goes to the state and enterprises in the form of taxes and profits retained by enterprises. We add the value of distributions paid to individual laborers in the form of wages to that of the means of production consumed in the process of commodity production, and collectively call it production cost. Such cost is an expense—expenditure in the form of currency—borne by an enterprises in the course of production. That part of value exceeding the production cost, or, to put it in another way, the difference between the revenue obtained by an enterprise through its sale of products and the production cost, is profits.

The basic cause for deriving profits is that the living labor of workers, which creates new value, includes the necessary labor and surplus labor. That part of labor creating wages is called the necessary labor, and that of labor creating profits is called the surplus labor. Why is it that the labor of workers is divided into the necessary labor and surplus labor, and that the value created by workers' labor is classified as wages and profits? In other words, why don't we regard all value created by the living labor as wages and directly distribute it to the workers?

It has long been established that labor is divided into the necessary labor and surplus labor. Marx said: "...In any social production, we are always able to distinguish the two parts of labor. The product of one part is directly used by the producer and his relatives as personal consumption, while the product of another part remains the same product throughout the production by surplus labor, which is always used to meet the general needs of society." ("Complete Works of Marx and Engels," Vol 25, p 992) This is simply because if the labor of a producer can barely produce goods just enough for its consumption without any surplus, and if all goods produced by a nation or country are used to meet people's needs in terms of food, clothing, daily necessities and housing without any surplus, there will not be any expansion of production, any progress of society, any

growth of population, or any effective preventive measures against natural disasters. The consequences will be too dreadful for us to contemplate.

The division of labor into the necessary labor and surplus labor is one matter, and the issue about who owns the surplus labor is another matter. In a society where there is class exploitation, the surplus labor or surplus product made by it is seized by those exploiters as their own. The situation is the same in the slave society, feudal society and capitalist society. In a society where class exploitation is eliminated, such surplus labor or surplus product made by it is publicly owned by the laborers. It is first transferred to the state or the collective, and is then used to seek benefits for the laborers. It is just as the saying goes, "what comes from the people is used for the benefit of the people." For instance, the annual output value of a socialist enterprise owned by the whole people is 1 million yuan. After deducting 700,000 yuan of production expenses relating to materials and wages, there is a surplus of 300,000 yuan, which is the total profit. Part of the total profit is delivered to the state as taxes or profits, and another part is retained by the enterprise as profits. No matter if it is delivered to the state or is retained by the enterprise, such profits are owned by the public and are regarded as public property, and will be used to pursue the short-term and long-term interests of the laborers.

There are some similarities between profits earned under socialism and those earned under capitalism, while there are also essential distinctions between them. Taking into consideration that profits are the value created by the surplus labor of workers, that profits are the balance of commodity value after deducting the production cost, and that profit percentage is calculated by comparing profits with the advanced total capital, these profits are similar and are therefore called profits. Essentially, however, under no circumstances must we confuse the profits earned under socialism with those earned under capitalism and think that one of them equals another. The most prominent essential distinctions between the two are as follows: First, profits earned under capitalism are the transformation of surplus value, reflecting the relationship that the capitalists exploit their workers; whereas profits earned under socialism are value provided by laborers to society, reflecting the relationship between the long-term and immediate interests of the laborers, as well as between the collective interests and individual interests. Second, profits earned under capitalism go to the capitalists and are disposed of at their discretion; whereas profits earned under socialism are publicly owned by the laborers and are disposed of at the discretion of the state or enterprises, which represent them. Third, profits are the goal of capitalist production. The operation mechanism of capitalist economy is activated by the pursuit of profits; whereas, the ultimate goal of socialist production is, generally speaking, to meet the material and cultural needs of laborers rather than to pursue profits.

II. The Status and Role of Profits in the Socialist Economy

The status of profits is very important in a developing socialist economy.

Most of the profits earned by the socialist industrial and commercial enterprises are turned into the fiscal revenue of the central and local authorities in the form of taxes and profit delivery. On the other hand, the state pools various profit delivery and taxes together as the source of various expenditures, called the fiscal expenditure. This includes: First, the expenses for accumulation and the expansion of reproduction, which are used to build or expand factories, mines and enterprises owned by the whole people, as well as large power plants, large-scale transport facilities and essential basic facilities for agriculture, forestry, animal husbandry and fishery, which must be invested in by the state. Only when we have invested in the said capital construction can we ensure the overall development of the national economy and the improvement of social production forces. Furthermore, in order to ensure a smooth progress in the socialist reproduction, the state must establish a certain amount of material and capital reserves such as grain, rolled steel, raw and processed materials, fuel, gold, foreign exchange and so on. Second, we should make society rationally and systematically utilize various administrative expenses, including the administrative expenses paid by the central and local organizations representing the people, government departments and social organizations, wages of the administration staff, and expenses paid by the army, public security department, armed police force and judicial department for safeguarding national security and the stability of people's livelihood. Third, to a certain extent, the proportion and scale of these expenses determine the development speed of the economy and society. Fourth, it is about social insurance fund and relief funds, which are used to support retired laborers and to provide relief to wounded and sick laborers, to those who have lost their capability of making a living and to those who are victims of natural disasters such as flood, drought, fire, earthquake and storms.

The source of the said expenses is, in the final analysis, value created by the surplus labor of laborers, in which a major part of it is created by enterprises. For instance, during the 8 years between 1979 and August 1986, the state accumulatively received over 880 billion yuan of fiscal revenue, accounting for about 80 percent of the state's fiscal revenue received in that period, from just about 40,000 budgetary state-owned enterprises. Thus, we can see the significant role played by profits in the socialist modernizations of China.

The result of using profits to develop and promote the socialist enterprises is more direct and obvious. Under the old system of economic management, profits earned by enterprises were completely delivered to the state, while the capital needed by the said enterprises to

expand their operations were all allocated through financial allocations. Consequently, the development of enterprises had nothing to do with the profits made or operations done by the enterprises. Under the new system of economic management, however, enterprises are relatively independent commodity producers and operators who operate and develop on their own accord and assume sole responsibility for their profits and losses. Except for key projects which will be financed appropriately by the state, the capital needed by them for replacement, transformation and development projects generally depends on their own accumulation, that is the portion of profits retained by enterprises. These enterprises may carry out their projects by obtaining loans from banks, but their repayment of such loans still depends on the profits created by them. In the final analysis, therefore, whether or not an enterprise will be developed, and at what scale and speed, are determined by the accumulation made by the enterprises. An enterprise which does well in its operation and has accumulated a large fund may not only replace its technology and equipment, expand its production scale and develop new, quality, inexpensive and marketable products; but also use its surplus capital to invest in, or to cooperate or join the operations of, other enterprises. An enterprise which is poorly operated and has an insufficient fund is not only unable to replace its technology and equipment or to expand its production scale, but also faces the risk of production shrinkage and bankruptcy. Therefore, the profitability of enterprise becomes a decisive factor for the success of an enterprise.

Profits are also closely related to the material interests of all staff and workers. An enterprise which does well in its operation may retain a large portion of profits after the delivery of taxes and profits, part of which may be regarded as its own capital for the expansion of reproduction, and part of the rest may be taken as bonuses to increase the income of staff and workers, and the other part may be used as welfare fund for the well-being of the collective. The situation will be the opposite for an enterprise which is poorly operated, makes little profit and even suffers losses. There will be a shortage of funds. Its staff and workers will receive a low income, and the enterprise will be unable to run any welfare undertaking. It is very important that we should strive to cut the production cost, increase the profits and avoid operating at a loss. This is one of the significant driving forces that impel socialist enterprises to improve and perfect themselves.

III. We Should Strive To Increase the Profits Earned by Socialist Enterprises

We must first make clear that essentially, the increase of profits is beneficial to and necessary for the state, enterprises and individuals. The interests of the state, enterprises and individuals are unanimous in this respect. The fact that an enterprise makes efforts to increase its profits and improve its profit percentage is not only irreproachable but also should be encouraged. This is

because the more profits socialist enterprises have provided, the more beneficial it will be to the socialist country and all laborers. At the same time, it is also beneficial to the enterprises themselves and their staff and workers. Profits may stimulate the initiative and creativeness, which are proceeded from personal interests, of these enterprises, as well as their staff and workers, in production and operation, thereby making contributions to developing the social productive forces and realizing the modernizations. Under socialism, there are, of course, also contradictions among the interests of the state, enterprises and individuals. Therefore, when making profits, the socialist enterprises must act in accordance with the production goal of society and the state as a whole. To put it in a nutshell, they must submit themselves to the goal of meeting the ever-changing material and cultural needs of people. In other words, in addition to considering their microscopic economic results, they must pay more attention to the macroscopic economic results and the overall social benefits. They should spend efforts on any work which is beneficial to the state and society, and should avoid undertaking anything which only benefits the enterprises at the expense of the state.

The key is, however, how to increase the profits of enterprises and improve their profit percentage. Capitalist enterprises achieve this by, on the one hand, seeking gains from their laborers and, on the other, seeking gains from the consumers of society. Capitalists are hungry as a wolf in terms of surplus value and profit making. There are many brilliant and profound expositions in the book "The Capital" in the respect. A socialist enterprise must not act in this way, or it will deviate from the socialist production goal and the principle of serving the interests of the masses. Therefore, we should pay attention to the following issues:

First, the microscopic economic activities of enterprises must be subject to the macroscopic economic decisions made by society because the latter reflects the overall and long-term development of the state, as well as the ever-growing material and cultural needs of people. The long-term development plans formulated by the party and the state, as well as the 5-year plans and annual plans made by the planning institutions, indicate the general direction of the national economic development. To observe the policies, laws and decrees of the state and to submit oneself to the macroscopic economic arrangements are the prerequisite for socialist enterprises to make profits. In particular, the grain, food and transport departments have a great bearing on the national economy and people's livelihood. In addition to paying attention to their economic results, they should pay more attention to the overall and long-term economic results and social benefits. This is because the latter is larger in scale and is more important than the former. Moreover, it is very difficult to judge their importance just by relying on the profits earned by a single enterprise or a single department.

Second, the socialist enterprises must make profits on the basis of constantly improving the labor productivity, emphasizing technological advancement, as well as constantly reducing the production cost and improving the operation and management. We should spare no efforts in applying our results of scientific research to our production technology in practice, while importing from overseas the advanced production technology and drawing lesson from overseas in terms of scientific management methods. In other words, enterprises must reduce the labor time spent by individuals on commodity production to a level which is below the necessary labor time required by society, so as to obtain more profits. This will not only be beneficial to themselves but will also stimulate technological advancement in some enterprises, as well as an entire production department. Because of the nature of socialist enterprises, people do not allow them to seek big profits by all means or at the expense of other enterprises.

Third, a socialist enterprise must not get rich by infringing upon the interests of consumers. Under the socialist economic system, consumers are the producers, who are the masters of the country, as well as their relatives. Any act infringing upon the interests of consumers, such as using scamp work and stint material, lowering the product quality, hiking prices and practicing fraud, are acts of embezzling the proper rewards payable to the producers. This will cause wide resentment among the people and confusion in the social life. Advertisements are the practice of promotion among the consumers of commodities which have a better performance and a fair price. No tricks should be used in advertisement or played on the purchasers. To put it in a nutshell, all acts in the course of commodity production and commodity circulation that undermine the socialist principles and their reputation must be checked.

Worshipping 'Fame'

40050105j Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 p 42

[Article by Jia Hongzhou [6328 1347 1558]]

[Text] Famous people are always troubled by "fame." People outside the circle of fame will be surprised to hear this. "He is very famous and holds many posts. Who would not hold him in esteem?" Being held in "esteem" is one thing, whether they enjoy being "held in esteem" is something else. The octogenarian writer Ba Jin is often troubled by fame. He said: "People keep calling on me. Some of them I know, but some are readers whom I have never met. They come to ask me to speak on all kinds of occasions, happy or sad; they want me to write inscriptions for all kinds of newspapers, books and magazines." "What am I to do? I can only beg them: 'Please leave me to my writing in peace.' It is meaningless just to live for one's name. At least I do not want this kind of life. But begging, declining invitations, even hiding are of no use. I have to oblige somehow." As I see it, it is rather cruel to treat an old man like this. Just imagine, how can an

octogenarian who is being "hounded" every day spend his evening years in peace, to say nothing about continuing his writing career. I have also heard rumors about a famous writer asking his wife to ghostwrite for him to meet requests for prefaces and postscripts.

Other than being asked to write inscriptions and prefaces, famous people are also asked to fill "nominal posts." Ba Jin had been so approached on more than one occasion. Recently I came across an information journal with a list of advisers that filled up nearly half the space of the title page. One cannot but be amazed at the "fame" of the persons named and the professions covered. I also read a business publication put out by the commercial departments not long ago. The funny thing was that you cannot find the name of the author on the editorial committee. All you can find are the names of responsible persons at the provincial or prefectural level, set out impressively in the order of their functions and seniority. I do not know anything about "the art of being an adviser" and have no idea how these famous people gave advice to the information journal, or how the editorial committee members did their editing. Actually I doubt whether these "advisers" and "editorial committee members" had the time or energy to read the journal or the book which bore their name, or whether they had asked for and willingly undertaken this kind of nominal "service."

Inviting famous people, including leaders, to give nominal support or fill honorary posts is a brain-racking but sometimes necessary ordeal. Once there was a writer who had just finished writing an academic book. He sent his manuscript to one publisher after another, but could not find anyone who appreciated his efforts. The manuscript nearly got lost being sent back and forth. Just as he was beginning to be convinced that half his lifetime's work would go down the drain, someone suggested that he take his manuscript to a famous person. What happened then? Well, a preface written by that famous person restored life to his book. It was not only published but was well-received. The same is true of running magazines and publishing books, among other things. If you can find some leaders or famous persons to say a word or two on your behalf, or write a few lines for you, and if you can then produce an impressive list of advisers, you will not have any trouble getting grants or permission. "Director So-and-so and Elder So-and-so have already given their support, can we say no?" In this way, you will get the green light all the way no matter how knotty your problems are. True, we should thank that famous person for writing that preface. He had rescued a valuable book. However, one cannot but wonder whether the publication of that book was due to its own worth, or the "worth" of fame.

It is perhaps precisely because of this worship of fame that we often find people blowing their own trumpet and even going around swindling and bluffing under the banner of the famous and the important. It is not fair to blame the famous for this, neither will it do any good to denounce this or that person as immoral. The root of the problem is that there is this trend in society to value

fame and slight essence. In capitalist societies where the commodity economy is well-developed, money is everything. Most of us hold this mentality in contempt. Of course we are justified to hold this mentality in contempt, but this mentality also implies some kind of equality before the law of value. The blind worship of fame probably had its origin in the feudal society which was rigidly stratified. It is in fact no nobler than the mentality that money is everything. In socialist society, it is science, truth and valuable labor that really deserve our esteem. It is high time that we put an end to the blind worship of fame.

'Dream of the Stone' Has Profound Contents

40050105k Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 p 43

[Article by Li Qingcheng [2621 1987 2052] and Wang Wenzhang [3769 2429 4545]]

[Text] The modern drama "Dream of the Stone" staged by the Xuchang Henan Repertory Company of Henan Province received good reviews from the general audience and experts alike in the capital Beijing. It left a deep impression on its audience with its legendary and poignant story, vivid characters and a performance that was both life-like and rich in local colors.

"Dream of the Stone" is an adaptation by Li Zhun [2621 0402] and Zhao Jishen [6392 4694 6500] of parts of a novel by Li Zhun entitled "The Yellow River Flows East." It is a story about the peasant Wang Pao who fled to Loyang in 1938 when the Huanghe River burst the dike at Huayuankou. He found shelter under the roofs of the Water and Moon Nunnery near the White Horse Monastery and made his living growing vegetables. One day, when he was sinking a well, he unearthed a stele on which was engraved a classical text written by Cai Yong [5591 6716] of the Han Dynasty. This gave him cause to dream about making a fortune. After finding the stele, he became an important person one moment and was thrown into jail and nearly lost his life the next. In the end, his wife had to exchange the stele for his life. After that, the family was back on the run, without a roof over their heads.

The play has its theme on class oppression. However, thanks to the author's penetrating touch, it inspires the audience in more ways than one. It figuratively tells the audience that in the dark days of the old society, the poor peasants had to fight high and low and yet could not make enough to feed themselves. They could not make a fortune even though they happened to have the opportunity. They could even get themselves into trouble as a result. In depicting Wang Pao's tragic fate, the author also touched on love between fellow peasants who helped each other in humble circumstances, love between peasant couples, peasants' longing for land, their ethical and moral concepts, as well as their virtues and limitations, thus enabling us to understand the life of Chinese peasants in the 1930s from different perspectives.

Through the portrayal of vivid artistic models, "Dream of the Stone" gives the audience a profound enlightenment. It provides aesthetic enjoyment with its unique artistic style.

The character Wang Pao is an artistic model with profound contents. The author Li Zhun said: "I have portrayed and eulogized the homeless peasants as the reincarnation of our national spirit and justice, conscience and righteousness among mankind, but they are not flawless heroes anymore." In the person of Wang Pao, one can find not only the fine qualities of Chinese peasants as hardworking and honest people but also traces of ignorance and cunningness bred by poverty and backwardness; not only proper desires like wanting to have "20 mu of land and one draft cattle," but also impractical fantasies of making a fortune. Wang Pao indeed embodies the fine qualities of our nation. He works with determination despite hardships, does not give up when all seems to go against him, never says die, works hard to make ends meet in straitened circumstances and looks for a way out when there is no ready outlet. Other characters in the play, such as Wang Pao's wife Sun Yuxian, all have their own glamor. Sun Yuxian is more like the laboring people than does Wang Pao. She is sincere, simple-minded, contented, nice, hardworking and decisive. She is the "backbone" of the Wang family. The author also portrayed the villains in the play with a kind of caricature-like vividness. For example, through the three scenes in which the salt-monger Wang Tongyuan appeared, he penetratingly depicted the countenance of a snob and reflected life in greater depth and breadth.

"Dream of the Stone" is a tragicomedy which shows the extraordinary through the ordinary and appeals to both the sophisticated and the simple-minded. The director has done a marvelous job preserving Li Zhun's style. Ren Hongen [0117 1347 1869], the actor who played the part of Wang Pao, is a leading comedian of Henan drama with a large following. He first made his name in the 1960s for his successful portrayal of Liu Zide in "Men Rejoice, Horses Neigh." Last year, he won the acclaim of the audience in the capital for his part in "Marriage of an Unlucky Bloke." This time, he again created something new in the character of Wang Pao. The artistic style of "Dream of the Stone" is mainly shown through the fate and character of Wang Pao, and Ren Hongen's performance rounds off the artistic quest of this play. We hope that the Xuchang Henan Repertory Company would continue to penetrate deep into life, strike its roots in the countryside and create and stage more and better modern drama after "Dream of the Stone."

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Reviewing 'A Study of Deng Xiaoping's Political Structural Reform Ideology'

400501051 Beijing HONGQI [RED FLAG] in Chinese
No 24, 16 Dec 87 inside back cover

[Book review by Zhang Jian [1728 0494]]

[Text] Comrade Deng Xiaoping is the overall planner of China's reforms. Those persons who are enthusiastic about political structural reform should definitely understand, in an overall and systematic way, the political structural reform ideology of Comrade Deng Xiaoping. "A Study of Deng Xiaoping's Political Structural Reform Ideology" (below abbreviated to "A Study") which has been jointly written by Comrades Chi Fulin [6688 4395 2651], Huang Hai [7806 3189] and others, was recently published by Chunqiu Publishing House. This book will be of assistance to us in understanding the political structural reform ideology of Comrade Deng Xiaoping.

The sustained and unwavering implementation of political structural reform is an important part of Comrade Deng Xiaoping's general guiding ideology of building

socialism with Chinese characteristics. It has also been an important part of the line since the 3d Plenary Session of the 11th CPC Central Committee. Following the further progress of our country's political structural reform, we have increasingly felt that strengthening research into Comrade Deng Xiaoping's political structural reform has become an important and pressing task. The authors of "A Study" have made valuable explorations in this respect.

In summary, "A Study" has the following two characteristics. First, it is theoretically strong and the field of study is wide. The book is divided into 12 topics, basically involving the various aspects of Deng Xiaoping's ideology of carrying out political structural reform under socialist conditions. Through the summing up of the historical experiences of socialist practice, the authors analyze the basic characteristics of our country's political structure at the present stage and carry out quite systematic exploration into issues such as the shaping of Comrade Deng Xiaoping's ideology of political structural reform, the practical significance of studying Comrade Deng Xiaoping's political structural reform theory, the key points of our country's political structural reform at the present stage, the core contents of Comrade Deng Xiaoping's ideology of socialist democracy as well as the relationship between political structural reform and overall reform and the relationship between the concept of "one country, two systems" and political structural reform. The second characteristic of this book is that the style of writing is plain and it earnestly seeks facts. On some questions, the authors are brave in putting forward their own independent opinions. For example in regard to the formulations "separation of party and government" and "division of work between party and government" there has always been debate in theoretical circles. After carrying out research on and analysis of a large quantity of materials, the authors hold that in terms of the relationship between the party and the government, Comrade Deng Xiaoping has always proposed "separation of party and government" and has never spoken of "division of work between party and government." This

is not coincidental or unintentioned, as the formulation "separation of party and government" manifests differences between the party and the government in terms of leadership systems, organizational principles, structural set-ups and personnel arrangements, and involves essential stipulations. Comrade Deng Xiaoping has made a series of expositions on this area. Although the stipulation "division of work between party and government" was also put forward aimed at the phenomenon whereby party and government were not separated and the party replaced the government, it easily gave people the wrong idea that there was no basic difference between the party and government, and that all that was necessary was to ensure that two organizations were not doing the same task. Therefore, the authors further pointed out that in the past our party had often put forward the issue of "division of work between party and government" but the situation of party and government not being separated remained unchanged. They therefore felt that this was related to the fact that people were not clear about the contents of this formulation. Such opinions in this book provide us with new avenues by which to further study the question of the relationship between the party and government.

Studying the political structural reform ideology of Comrade Deng Xiaoping is, today, still developmental work, and the practice of political structural reform has given this work great significance. The materials the book utilizes are full and accurate, the structure is well-knit, the viewpoints are novel and the questions studied and explored are both theoretical and linked tightly with practice. Due to length restrictions the authors are unable to expound more fully and deeply on some questions. However, as an overall and systematic study of the political structural reform ideology of Comrade Deng Xiaoping, "A Study of Deng Xiaoping's Political Structural Reform Ideology" is indeed a very valuable reference book.

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